

Contribution to the Critique of Theoretical Economy

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Cover image source:

Dmitriev, A. L 2013, 'A. Ju. Finn-Enotaevsky: ekonomist i politik' ['On A. Finn-Enotaevsky: Economist and Political Figure'], *Finansy I Biznes*, no. 3, 124–40.

<https://finbiz.spb.ru/wp-content/uploads/2013/07/dmitr.pdf>

Published on Internet Archive (archive.org), March 2025.

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Contribution to the Critique of Theoretical Economy¹ (1929)

These articles, three in total, come from a rare journal edited by Mieczysław Broński. We stumbled on the existence of this article-series in a list of materials of the Russian debate on the 1920s work of Isaak Rubin (1886–1937) about Marx. Indeed, Rubin is criticised here, though rarely in explicit fashion; instead he and like-minded thinkers are referred to as 'the Scholastics'. Finn-Enotaevsky (1872–1943) defended Marx's theory already two decades earlier, in his 1903 'The Labour Theory of Value and its "Newest" Russian Critics'.² In the *Collected Works* of Lenin he is called simply by his name Finn (or also spelled Yenotayevsky).³ His main book was on capitalism in Russia.⁴

These three articles were written in 1929. The first two under the same heading, so we present them here together (and list their references jointly). The third was published in early 1930 in what was apparently *Sotsialisticheskoe chozjajstvo*'s final issue. It is not clear why the journal ended. We publish our translation of the three with the above general title (although Finn used this heading only for the first two). Finn-Enotaevsky would today be considered just another traditional Marxist, holding the position (of Engels) for instance that the law of value pre-dates capitalism and even money. Yet in this series Finn regarded his views as almost that of a heretical minority, for example he criticised Kautsky, and more importantly, – perhaps incredibly, to today's image about a monolithic Soviet culture, – *he openly*

¹[Note from the editorial board in the original journal:] With this essay 'On value' we begin publication of a series of chapters from the book that is being prepared by Finn-Enotaevsky, whose composition includes studies on the topic: 'Money, credit and industrial cycles'. [He wrote an article with a similar title already in 1927 in the same journal: 'Деньги, кредит, цены и конъюнктура. [Народного хоз-ва СССР]': 53–65.]

The second essay: 'Value and money' will be printed in the next (No. 4) issue of *Sotsialisticheskoe chozjajstvo*. The editorial board leaves the main theoretical positions to the author's responsibility, expressed by him in these essays, and intends to open a discussion on a whole series of controversial questions. In the next issues of *Sotsialisticheskoe chozjajstvo* articles will be placed of authors that differ from Finn-Enotaevsky in the treatment of these problems.

[The scans of the original Russian text for these two essays is online (thanks go to S. for obtaining all materials):

https://www.mediafire.com/file/z94e2flsuldqenh/Towards_a_critique_of_theoretical_economy_Essay%252C_1929%252C_Sots._Chozj%252C_Nos._3%252C_4_30%25E2%2580%259380%252C_30%25E2%2580%259364._Finn-Enotaevsky.pdf/file

²The two particular issues of the journal (*Nauchnoe obozrrenie*) in which they appeared are not online though: Трудовая теория ценности и ее « новейшие » русские критики, *Научное обозрение*. 1903. No 4, pp. 66–85 ; No 5, pp. 213–34.

³Another English spelling of this name is found for example in the Lithuanian Shmuel Yosef *Fuenn* (or Fün).

⁴Finn-Enotaevsky 1911 (expanded edition 1925).

criticises Marx himself in a fundamental way, in order to better defend the labour theory of value.

Moreover, Finn's writings in general are characterised by polemic against Hilferding. In this sense his cogent outline is unique⁵ and should be read especially if one does not agree with Finn's views on value and so on. His views were strongly criticised in a 1931 collection of articles against him, titled *Against Militant Menshevism*.

Finn regarded this series as the initial part of what was to result in a major book. This is also evident from the numerous important questions which throughout he promises to treat in depth later. It is very unfortunate that the publication of the series was cut short (and the book never appeared), since individually for Finn it would have become his crown work, and generally for Marxist theory a milestone. As it stands the series gives us sort of a general introduction to political economy and the theory of value, covering a lot of the same subjects as Rubin's *Essays on Marx's Theory of Value*.

Still in the spring of 1930 Finn was promoted at a Faculty of Political Economy, but by late 1930 he was arrested and then sentenced at the 1931 Menshevik trial (along with Rubin). Whether Finn in this short time before his arrest, or during his long sentence, had prepared some manuscript of his book is not known.

⁵There were plenty economists publishing in the Soviet Union, who openly did not adhere to Marx, but simply did not go into a dispute with Marx. And there were plenty who claimed to adhere to Marx, but, consciously or not, distorted his views without stating so. But Finn-Enotaevsky openly states his disagreement with Marx, and this seems unique.

'Political economy can only be turned into a positive science by replacing the *conflicting dogmas* by the *conflicting facts*, and by the real antagonisms which form their concealed background'.⁶

On value [Essay One]

'From no source do so many errors, and so much difference of opinion in our science proceed, as from the vague ideas which are attached to the word value'.⁷

1. Aristotle and the modern economic schools

From the time of Aristotle theoretical economic thought in its study of the movement of the commodity world proceeds from two concepts of commodity value: use and exchange value. The disagreements of various schools come from the different contents that they put into these concepts, and from the different understanding of the relation of these concepts to each other. This does not prevent the three most important and directly opposite economic directions – the classical school in the person of its most rightful heir and successor Marx, the psychological school in the person of one of its founders, Karl Menger, and the credit school in the person of its patriarch [Henry] Macleod – equally to refer to Aristotle when analysing commodities and money. This motivates us to preface the critique of the newest political economy by an analysis of the concepts of value in Aristotle.

The great ancient dialectician was not a fetishist of the commodity world. The well-known thesis, that relations of people in this world are expressed as relations of things, belongs to him.⁸ Analysis of exchange, – ('there would be no society if there were no exchange, and no exchange if there were no equality, and no equality if it were not possible to reduce things to a common measure'),⁹ – puts the question before Aristotle: what makes works of a different kind commensurate, what equates the labour of a physician and a shoemaker or carpenter? He does not find an answer to this; for him labour is of a different quality, for him things as products of labour are too different to be commensurate. However, their

⁶Marx 1988c, p. 128.

⁷Ricardo 1821, p. 4.

⁸ '[T]he quantity of shoemaker's work bears to the quantity of husbandman's work [which exchanges for it] the same ratio that husbandman bears to shoemaker. ... What is needed then is that so many shoes shall bear to a house (or a measure of corn) the same ratio that a builder (or a husbandman) bears to a shoemaker' (Aristotle 1886, pp. 156, 155).

⁹Aristotle 1886, p. 158.

equation is still necessary, it takes place in practice. How? – Through the invention of money. 'Money makes all things commensurable, for all things are valued in money'.¹⁰ This, of course, points only to the practical solution, but does not explain why money could become the common measure of all commodities. Further, from the fact that money is such a measure, it does not at all follow that *this* makes commodities commensurate. Meanwhile, the same superficial view on money was advanced in the 1820s by Bailey against Ricardo's theory of value: once commodities are measured in money and appear in exchange with prices, then why should we know what value is; this is Scholasticism, he said. A similar proclamation is also made in the 1920s as the *last* word of science by professor [Gustav] Cassel...

Dissecting in the first volume of *Capital* the particularity of the equivalent form of the commodity, leading inevitably to money and to a general measure, Marx points out that it was clear to Aristotle that the monetary form is only a more developed form of the exchange value of the commodity. Aristotle discovered in the exchange values of commodities the relation of equality, but he could not discover what makes exchange values equal. 'It is however impossible, – Aristotle wrote, – that such unlike things can be commensurable, i.e. qualitatively equal'. 'This form of equation, – Marx comments, – can only be something foreign to the true nature of the things, it is therefore only "a makeshift for practical purposes" (Aristotle's words)'.¹¹ Such interpretation by Marx of this place in Aristotle, however, is not entirely consistent with other places in the same chapter of *Ethics*, which Marx does not quote. The fact is that Aristotle, not having solved the question of the nature of the equality in commodities as products of labour, began to look for it in them as *use* values, that is according to Marx exactly in something *close* to the 'true nature of things' (and not foreign to it). 'We want, – says Aristotle, – therefore, some one common measure of value, as we said before. This measure is, in fact, the need for each other's services which holds the members of a society together; for if men had no needs, or no common needs, there would either be no exchange, or a different sort of exchange from that which we know'.¹² This same place is also cited by Karl Menger for proof that Aristotle had already tried to find a measure of *use* value and make the latter the foundation of

¹⁰Aristotle 1886, p. 158.

¹¹Marx 1976a, p. 151.

¹² Aristotle 1886, pp. 155–56. It would however be erroneous to believe that Marx arbitrarily imposed on Aristotle his own way of thinking. If, as we shall see, in Aristotle exchange value is not peculiar to the nature of things, if money in him was not established by nature, but by law, then Marx could consider that, according to Aristotle, 'this form of equation can only be something foreign to the true nature of the things' (Marx 1976a, p. 151.). However, Aristotle was not so consistent...

exchange value.¹³ However, there can be no doubt that the analysis of exchange value on the basis of utility failed in Aristotle: what makes two commodities equivalent, something in common, which makes them the same, like exchange value, Aristotle did not find. Thus, he did not find the internal connection between the exchange value of the commodity and money and could not reveal what necessarily leads commodities to the formation of money. He limits himself therefore to the indication, that 'money has been introduced by convention as a kind of substitute for need or demand; and this is why we call it νόμισμα (nomisma), because its value is derived, not from nature, but from law (νόμος: nomos), and can be altered or abolished at will'.¹⁴ So, money is the practical actual *external* measure, but the *internal* measure remained for Aristotle a secret behind seven seals.

Macleod looked differently at the matter, making on his part a claim on Aristotle's *χρεία*.¹⁵ No intrinsic value exists, – said Macleod; economics is not interested in use value; '[We have shown that] all ideas that labor, or utility, as the cause of value, are erroneous and must be rejected: and that *demand* is the sole cause of value':¹⁶ without demand nothing will be sold. The *χρεία* of Aristotle in English means *demand* – says Macleod. '[Aristotle points out] that demand is the sole cause which constitutes anything wealth'.¹⁷ '[Value being] the desire or demand of a person to acquire some object: the quantity of money he is willing to give to acquire it is the measure of his desire to obtain it: and therefore the measure of value'.¹⁸ This is the essence of the theory of value of Macleod, this 'Confucius of the City of London' in the times of Marx and the current ruler of the mind of theorising bankers. However, Macleod in vain hid behind the authority of Aristotle. The latter most definitely points out in his *Politics*; that 'every article of property admits of two uses, both of which are inherent in it though not inherent in the same degree, one being proper to the article and the other not'.¹⁹ Herewith Aristotle clearly distinguishes between use value, that is the use of a thing in *consumption*, and exchange value, the use of a thing for *exchange*. There is no need, however, here to further linger on Macleod. It was important to us merely to establish, that none of the existing²⁰ schools can find a resolution of the debate about the nature of value in Aristotle, who did not disclose it.

¹³ Menger 1950, pp. 295–6.

¹⁴ Aristotle 1886, p. 156.

¹⁵ [*Chreia*: need, use. There is dispute about the translation.]

¹⁶ Macleod 1893, p. 202.

¹⁷ Macleod 1893, p. 200. [Finn here translated wealth in Russian as exchange value.]

¹⁸ Macleod 1893, p. 213.

¹⁹ Aristotle 1893, p. 21.

²⁰ On the fourth ('historical') school, referring in the person of Knies also to Aristotle, we speak later.

The solution was found a good two thousand years later by the son of the bourgeois world Adam Smith, who had before him the long work of critical thought of the classical economists, beginning with William Petty. It consisted in the point that in the commodity world *every* kind of social labour creates exchange value. This was the first theoretical expression of the *equality* of human labour in commodity-producing society, resting on the division of labour, the sameness of its *quality*, which makes different works *quantitatively* measurable.

2. Smith, Ricardo and Marx

Aristotle had as point of departure in his analysis *simple* commodity circulation, the movement of metal money in its various functions and the action of usurious and merchant capital in conditions of an economy based on slave labour. Smith proceeds from the *capitalist* commodity world, and his analysis too is based on both properties of the commodity: value in use and value in exchange. However, unlike his direct predecessors – the Physiocrats, including Turgot, – Smith, following Steuart, correctly puts forward *exchange* value as the *characteristic* trait of *bourgeois* wealth.

Exchange value he defines primarily, as the 'power of purchasing other goods which the possession of that object conveys'.²¹ This is the formula of the *relative* exchange value of commodities, which Smith recognised and which Ricardo quite determinedly designated. To both it was clear that in the commodity world the exchange value of products is merely the expression of the labour of *individual* persons as *social* labour in general, that the labour of an individual person, by virtue of the *division* of labour, is part of the aggregate social labour, and therefore the products of individual labour give the right to dispose and obtain a corresponding amount of another's social labour, invested in other products. In other words, for Smith and Ricardo it was clear that exchange value *is not* a relation of commodities, but merely *is expressed* as a relation of commodities, that it has as its source the social labour time spent on the production of this commodity. However, this *relative* form of value, reflecting the phenomenon of exchange, as it appears on the surface, is a treacherous form. It knocked Smith off the path more than once, and not only him, but also Ricardo; even Marx did not avoid places of inconsistency because of it. We shall see further how post-Ricardian bourgeois economy made it its starting point of its analysis,

²¹Smith 1909, p. 32.

rejecting exchange value in its absolute form; we shall see also, how it lied at the basis of the now fashionable theory of the purchasing power of money...

The equation of the formula of *relative* value – the labour spent on the production of a given commodity, to the amount of product for which this commodity is exchanged, led in Smith to the point that the labour realised in this commodity, began in him to be equated to the amount of living labour, that one can buy for this product. Thus the wage, the value of labour power, becomes in him the measure of expended labour. In other words, instead of the *internal* measure of value – labour time – he had an *external* measure – the commodity-labour (according to Marx – labour power) with an ostensibly more stable value, that should function as money and take the place of precious metals, whose value is more volatile in his opinion. The emergence of such an external measure of value in Smith, which determines the height of the value of things in dependence on whether they are exchanged for a large or small quantity of this measure, also caused a rightful rebuff from the side of Ricardo.

Starting his *On the Principles of Political Economy* with the formulation of *relative* exchange value, given to it by Smith, Ricardo exposes this formula to a more complete analysis and explains, that exchange value, manifested in the form of a quantitative relation of two exchanged commodities, is the result of that common which is characteristic of commodities along with their use value, the result [namely] of value. This value, which he calls 'real', 'absolute', is value *relating to labour*. He decidedly rejects the view of Smith, that measurement of value by labour time is one and the same as the wage. He points out that labour, as substance and measure of value, is not a commodity, has no value, is different from wage labour, the commodity-labour having a value – the wage. And this has since become a property of *scientific* economy. This repeats John Stuart Mill, this is emphasised by Rodbertus;²² Marx only strengthened this view, replacing the term commodity-labour by commodity labour power.²³

Ricardo arrived at absolute value²⁴ through an analysis of relative value. But this does not mean that he considers this internal value to be a product of exchange. On the contrary, he

²²See Rodbertus 1842, p. 62, where he pays attention to the necessity to discriminate labour, confined in the wage, and labour, as a measure of value of the commodity.

²³This term too is far from perfect. The *slave*, bought on the market, represents such a commodity, while the capitalist, hiring a worker, receives from him, as Marx himself indicates, not the labour power, but its use value, its function; the *commodity wage labour*, perhaps, is the most appropriate term for the capitalist mode of production.

²⁴One would had to have not read Ricardo or entirely misunderstand him, to argue like Hilferding, that 'Ricardo [was] unable to analyse the value form, and also does not *know the notion of absolute value*' (stressed by us). See Hilferding 1919, p. 446.

derives this relative exchange value from intrinsic value, and connects the latter with labour. All this we find also in Smith, only in a confused form. The merit of Ricardo is that he clearly formulated this.

Following the path of abstraction after Ricardo, Marx too 'went on the trail' of absolute, intrinsic value. Having begun with the exchange relation of commodities and finding something in common, that connects them, – value, he from it again moves to an analysis of the relative form of value. In doing so he indicates that only an analysis of value regardless of representation of one commodity in another resolves the question of *how it is possible* to represent one product in another, – explains the emergence of a commodity as the equivalent and, in the end, as money. Both in *Capital* and in *Theories* Marx repeatedly ridicules economists who cannot represent commodity value and its magnitude *outside* of exchange, outside the relative form of exchange value, showing that they must then deny the existence of bourgeois wealth consisting of exchange values.

There is, of course, no need to be a neo-Kantian, or Bergsonist, or opponent of the theory of relativity, to recognise the necessity of the existence, along with relative time, of an absolute time, in that sense that it is impossible to compare different times in different system coordinates, if one does not assume that all these times have something in common, and that is simple time, time in *general*. The reduction of the manifold to a unity, of the dependent variables to an independent variable – is also the reduction to the absolute in the scientific sense, to which also Planck points.²⁵ But what is *absolute value*, as the independent variable in relation to the dependent variable – [namely] *relative value*?²⁶

—

Neither Ricardo, and even less Smith, were free from contradictions. It is known that in Smith along with labour, as sole source of value, profit takes a place; along with the

²⁵ '[I]n the theory of relativity, – Planck said in his lecture 'From the Relative to the Absolute' – the absolute is not eliminated, but on the contrary it brought merely to an even sharper expression, how much physics everywhere rests on an absolute lying in the external world. [...] We do not create the external world for reasons of expediency, but on the contrary, the external world imposes itself on us with an elementary force [...] With every natural phenomenon we strive from the single, conventional and accidental, to the universal, objective and necessary, we seek the independent behind the dependent, the absolute behind the relative [...] As far as I can see this tendency is manifested not only in physics, but in any science' (Planck 1925, pp. 22–3).

²⁶ Of course without trade value cannot manifest in the commodity world. But the existence of exchange value itself already presupposes the existence of conditions for the manifestation of exchange force. However, the existence of conditions of manifestation of these forces does not yet resolve the question about the *origin* of these forces. The manifestation of forces of a given body is possible only under the existence of other bodies, but the mutuality of two bodies depends on the force of *each* of them. Insofar as value is manifested in a relation, as relative, it is a function of *two independent* variables: every commodity gets its exchange force outside trade, from labour.

entirely objective social theory of value are heard individual, psychological, subjective notes. But from this to conclude that the theory of Smith-Ricardo is subjective, and counter-pose it with Marx's, as objective – is erroneous. But this is what Kautsky does too. Quoting *in extenso* a well-known passage from Smith, where it is said: 'The real price of every thing, what every thing really costs to a man who wants to acquire it, is the toil and trouble of acquiring it',²⁷ a place that Ricardo too gave, indicating that this is in fact the source of exchange value of all things, Kautsky writes: 'Here value is explained from the psychology of the individual. [...] But Smith and Ricardo are mistaken when they remain at the individual and by the individual's value assessment already believe to have explained the essence of social exchange [value]'. The theory of Marx, Kautsky continues, is different: he proceeds from the mass phenomenon [*Massenerscheinung*].

Marx is interested only in this, observes only this. The assessment of value by the scale of the expenditure of labour of an individual is the sole non-subjective, for all individuals the same. It becomes a social necessity, when the division of labour and private ownership of the means of production become common, and the regularity of exchange, and therewith production for exchange, are made indispensable.²⁸

So what did Smith and Ricardo not know and Marx discover? However, how to reconcile with this at least the point that Smith says in the same first book, chapter five, of his *Wealth of Nations*, where he shows how under commodity exchange the intensity and productivity of the labour invested in a product is taken into account, how *on the market* in the process of trade, 'though not exact, [but still] sufficient for carrying on the business of common life',²⁹ labours of different qualities, requiring different training, are reduced to one denominator, – a view that Ricardo only more clearly formulates in the first chapter of his *Principles*.³⁰ Is not expressed here precisely the social, and not individual assessment, do they not say, that insofar as commodity exchange develops the individual evaluation, the subjective moment in evaluation of expended labour recedes behind the social evaluation of labour time? It is entirely untrue that Smith and Ricardo operated with an isolated, and not with the typical social person, as Kautsky claims. They knew perfectly well what Aristotle knew, namely, that 'man is naturally a political [or social] animal',³¹

²⁷Smith 1909, p. 36.

²⁸Boudin 1909, pp. ix, x, xiv, xv.

²⁹Smith 1909, p. 37.

³⁰Ricardo 1821, pp. 13–5.

³¹Aristotle 1893, p. 5.

they were conscious too of the fact what following Kant also Marx says, namely, that 'man [...] is an animal that can isolate itself (*vereinzelt sich*) only within society'...³²

It should be noted, however, that the appraisal of the theory of value of Smith–Ricardo, given by Kautsky and which has become common among Marxists, by no means was the opinion of Marx, although in relation to Smith he was quite often sharp. For evidence it is sufficient to give one of the numerous similar places in his *Theories*: 'Like all economists worth naming, [including] Adam Smith (although in a fit of humour he once called the ox a productive labourer), Ricardo emphasises that labour as human activity, even more, as *socially* determined human activity, is the sole source of value. It is precisely through the consistency with which he treats the value of commodities as a mere "representation" of *socially* determined labour, that Ricardo differs from the other economists'.³³

For Smith and Ricardo, 'completely standing [on the shoulders of] the prophets of the eighteenth century',³⁴ the free individual – a product of bourgeois societies, a product of free competition, – was not the result of history, but its starting point, and this because, indicates Marx, for them the bourgeois world was absolute. However one should keep in mind, that also for them the commodity world was not devoid of *development* from simple, primitive forms to more complex ones. Smith plainly says that the exchange of products in proportion to the labour expended on them was 'the only circumstance which can afford any rule' in the pre-capitalist stage (before 'the accumulation of stock and the appropriation of land'), 'in that early and rude state of society'.³⁵ Ricardo, by contrast, in his *Principles*, stressed, that labour, as the basis exchange value, gets its full development in conditions where freedom of competition rules. Marx, therefore, recognises that Ricardo 'is at least aware that the operation of the law (of value, that is the determination of a commodity's value by labour time) depends on definite historical preconditions'.³⁶

³²Marx 1986, p. 18. Reproaches at the address of Smith and Ricardo of individualism, 'non-sociology' and so so, are not uncommon also now in bourgeois literature. Let us point, for example, to Spann 1928, pp. 75–87.

³³Marx 1989c, p. 365.

³⁴Marx 1976a, p. 17.

³⁵Smith 1909, p. 48.

³⁶Marx 1987a, p. 300. 'In speaking of the laws which regulate the relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint' (Ricardo 1821, p. 3). The unsuccessful translation by Marx of the phrase 'by the exertion of human industry' – *durch die Industrie*, through industry, instead of *diligence*, is an error – repeated also by Sieber in his 1882 translation of Ricardo in Russian (see p. 3 *Sotsinenija D. Rikardo*, St.-P.: Panteleev) – which gave Diehl occasion to say that Marx incorrectly understood Ricardo. The latter, allegedly, 'did not take into account different phases of social development in his theory of value', for him 'the law of value has general significance, where people produce, there they exchange by labour value' (Diehl 1927, p. 37). In fact here Diehl, and not Marx, incorrectly interprets Ricardo. The error in translation does not defame the by Marx given thought of Ricardo, which is clearly expressed in words of the latter, that in him it is only about commodities which 'can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint'.

In his desire to highlight the difference between the theory of value of Smith–Ricardo and Marx Kautsky agrees to the statement, that in relation to Smith and Ricardo 'the critics of the labour theory of value are absolutely right, when they say, that for an individual the expenditure of labour is only one of various factors in assessing the value of a commodity. These gentlemen merely do not see that Marx is of the same opinion. He himself explains that in the beginning of the exchange of commodities, as long as this is just an occasional act, '[t]heir quantitative exchange-relation is at first determined purely by chance'.³⁷ Permit me, but does Ricardo not speak as well about exchange as an *occasional* act, and does he not counter-pose mass exchange to it? – We leave here aside the question of how historically correct is the assumption that individual exchange preceded social exchange. – Let us quote from the recently published 'Notes to Malthus' of Ricardo. They do not reveal anything new about Ricardo, but for illustrations of some of his views they are nevertheless useful.

In all that Mr. M. has yet said about exchangeable value, it appears to depend a great deal on the wants of mankind, and the relative estimation in which they hold commodities. This would be true if men from various countries were to meet in a fair, with a variety of productions, and each with a separate commodity, undisturbed by the competition of any other seller. Commodities, under such circumstances, would be bought and sold according to the relative wants of those attending the fair—but when the wants of society are well known, when there are hundreds of competitors who are willing to satisfy those wants, on the condition only that they shall have the known and usual profits, there can be no such rule for regulating the value of commodities. In such a fair as I have supposed (that is where "exchange is an occasional act" *A. F.-E.*), a man might be willing to give a pound of gold, for a pound of iron, knowing the uses of the latter metal; but when competition freely operated, he could not give that value for iron, and why? because iron would infallibly sink to its cost of production—cost of production being the pivot about which all market price moves.³⁸

³⁷Boudin 1909, p. xv. Marx 1976a, p. 182.

³⁸ Ricardo 2004, pp. 24–5 [p. 8 in the first publication, 1928, eds. Hollander, J. H., Gregory, T. E., London: Oxford University Press.]. By cost [Finn uses here the word 'value' in Russian] of production, he points out to Malthus, should be understood, what 'Adam Smith calls natural price, which is synonymous with value' (Ricardo 2004, pp. 34–5), that is the value of production includes also profits.

Does this quote, – in which is repeated what is also said in the long known letters of Ricardo to Malthus, – not appear as a direct answer, on the one hand to Kautsky, regarding the [alleged] subjective [that is individual] value of Ricardo, and on the other, to Diehl, who claimed that for Ricardo products 'in all forms and epochs of economic life' are traded by exchange according to labour value?³⁹ And does it not emphasise the view of Marx, that for Ricardo the law of labour value can completely, 'freely' manifest its operation only in developed, capitalist, commodity economy? (A position shared also by Marx.)

3. Value and exchange value

Analysis of the relative form of exchange value leads Marx to the point, that the value of the commodity – originates outside exchange, that in exchange only its form and its magnitude undergo change. Consequential analysis would have had to lead him also to the conclusion that value exists not only outside exchange, but also *before* the emergence of *exchange*, that it exists not only in the commodity world, but also in the natural world and that in *commodity* value it only takes the form of *exchange* value. That is the conclusion which Marx does not make. Only in some places, concerning the future system, he leans towards this but usually he strenuously emphasises that value – is commodity value, that there is no category of value *outside* the commodity world and that only use value is common to all social epochs. However labour, embedded in a product, in all social conditions was estimated not only from the side of its *utility* for society, its use value, but also from the side of its *expenditure*: how much labour time the production of this useful product *cost*. If however, as Marx himself recognises, 'in all situations, the labour-time it costs to produce the means of subsistence must necessarily concern mankind, although not to the same degree at different stages of development',⁴⁰ then assessment of the product of labour from the side of expenditure on it or, what is the same, the *value* of the product, is inherent to all social forms of production. And Marx himself speaks in one place of his *Theories*: 'Time of labour, even if exchange value is eliminated, *always remains* the creative substance of wealth and the measure of the *cost* (*Kosten*) of its production'.⁴¹ Value is the conscious expenditure of labour in society, and in this sense labour is the only source of value in all social formations. 'Actually, *no form of society* can prevent the labour time at

³⁹Diehl 1927, p. 45.

⁴⁰Marx 1976a, p. 164.

⁴¹Marx 1989c, p. 391. Emphasis by Marx.

the disposal of society from regulating production in one way or another' – Marx writes in a letter to Engels. 'But so long as this regulation is not effected through the direct and conscious control of society over its labour time, [...] but through the movement of commodity prices, then things will remain as you so aptly described them already in the *Deutsch-Französische Jahrbücher*'.⁴²

What does Engels say in this work, which appeared in 1844? 'The value of an object includes both factors, which the contending parties (Ricardo and Say) arbitrarily separate – and as we have seen, unsuccessfully. Value is the relation of production costs to utility'.⁴³ This, let us note, is given by Turgot, in whose *valeur estimative* there enters both labour and utility.⁴⁴ But such a value, according to Engels, cannot manifest itself freely in an unjust system, based on private property. It is different with common ownership.⁴⁵ Contrary to various commentators, Marx agrees with Engels as regards the future, as this is shown by a number of places in the third volume of *Capital* and in *Theories*. He agrees further with the point that in *exchange* economy the law of value does not manifest itself directly, but 'asserts itself [unconsciously] as a regulative law of nature'.⁴⁶ But he diplomatically remains silent about other interesting to us places from the *Outlines* of Engels. We dwell, therefore, on them in a note.⁴⁷

⁴² Marx 1987b, p. 515.

⁴³ Engels 1975, p. 426.

⁴⁴ Turgot 1973, p. 88 and others.

⁴⁵ Engels also in *Anti-Dühring*, published more than thirty years later, reiterates that the 'balancing of useful effects and expenditure of labour on making decisions concerning production [will be all that will] be left, in a communist society, of the politico-economic concept of value' (Engels 1987b, p. 295).

⁴⁶ Marx 1976a, p. 168.

⁴⁷ 'The difference between real value and exchange-value is based on a fact—namely, that the value of a thing differs from the so-called equivalent given for it in trade; i.e., that this equivalent is not an equivalent. This so-called equivalent is the *price* of the thing, and if the economist were honest, he would employ this term for "value in exchange" (exchangeable value). But he has still to keep up some sort of pretence that price is somehow bound up with value, lest the immorality of trade become too obvious. It is, however, quite correct, and a fundamental law of private property, that price is determined by the reciprocal action of production costs (by this economists understand three elements: ground rent, capital with profit and wage – Engels indicates in another place) and competition. This purely empirical law was the first to be discovered by the economist; and from this law he then abstracted his "real value", i.e., the price at the time when competition is in a state of equilibrium, when demand and supply cover each other. Then, of course, what remains over are the costs of production and it is these which the economist proceeds to call "real value", whereas it is merely a definite aspect of price. Thus everything in economics stands on its head. Value, the primary factor, the source of price, is made dependent on price, its own product. As is well known, this inversion (*Umkehrung*) is the essence of abstraction; on which see Feuerbach' (Engels 1975, p. 427.)

If we leave here aside the ethical approach of Engels to value, that he himself later criticised as petty-bourgeois in the foreword to *The Poverty of Philosophy*, if, further, we recognise as mistaken also his criticism of the method of abstraction of value from the phenomena of money and commodity prices, then it is still necessary to consider his point correct that it is an error to connect value only to price. He understood that value is a category peculiar not only to the commodity world. And this by no means contradicted the fact that scientific thought came to the category of value, proceeding from prices. The most abstract category, – says Marx, – is derived from a more complex concrete situation in which it only manifests also its full validity, but this does not prevent it being [somewhat] valid in all social formations [this is a reference to Marx 1986, p. 42]. Such is abstract labour, such is also value, which Marx, unfortunately, sometimes himself

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The connection of value with exchange value finds its explanation in the point that in *exchange* for the first time the *commodity* develops from the product, value is converted into *exchange* value and the latter takes the *monetary* form; in exchange for the first time *capital* develops in the form of commodity- and money capital; in exchange for the first time also the rate of profit develops and so on. The *forms* of value created from exchange move into the sphere of commodity production, at first simple, then capitalist [commodity production], undergo here changes and become dominant economic categories. Marx points to this, and in the question on value therefore he holds fast to the commodity. So, in *Capital* (Volume Three) he writes:

No producer considered in isolation produces a value or commodity, neither the industrialist nor the agriculturalist. His product becomes a value and a commodity only in a specific social context. Firstly, in so far as it appears as an expression of social labour, and therefore his own labour-time appears as part of the general social labour-time; secondly, where this social character of his labour appears as a social character impressed on his product, in its money character and its general exchangeability as determined by its price.⁴⁸

All this is true, insofar as we are talking about *exchange* value, commodity [value], about production for exchange. But it is wrong, insofar [as it is about] value in general, since also a product, not becoming a commodity, can have value: it can represent social labour as in a slave and serf economy, or in the patriarchal free peasantry [yeomanry] and in general in various forms of subsistence economy, satisfying a social need. And insofar as a person lives and produces in such a social environment, he produces use value and value, although not a commodity, not exchange value.

And it is historically-genetically proven that exchanged products become commodities earlier than the acquisition of exchange value, as form of value, separate from use value. Products initially exchange due to naturally arising conditions of division of labour, they are exchanged as use values directly, but nevertheless as products of labour, therefore, with

forgets.

⁴⁸Marx 1981, p. 777.

value. Marx himself points out both in *A Contribution to the Critique of Political Economy* and in *Capital*, that a sufficient development of exchange is required so that value becomes 'materialised', that is separated from use [value], and so that the item of exchange acquired the form of value, which is independent of its use value, that is [acquired] an exchange value, which subsequently leads to the monetary form of value. It is possible therefore to agree with Marx when he says that 'the development of the commodity-form coincides with the development of the value-form',⁴⁹ understanding under the latter *exchange* [value], but one cannot agree that *value* is associated only with commodities.⁵⁰

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Feeling unsettled in Marx's definition of production of *commodities* as production of 'use-values for others, social use-values', Engels adds: 'In order to become a commodity, the product must be transferred to the other person, for whom it serves as a use-value, through

⁴⁹Marx 1976a, p. 154.

⁵⁰As is known, the term value, without the adjective exchange, was for the first time given by Marx in *Capital*. In the first edition of Volume One of this work, we read: 'Hence, commodities are first of all simply (*schlechthin*) to be considered as *values*, independent of their exchange-relationship or from the *form*, in which they *appear as exchange-values*'. And in a note to this place: 'If I use simply the word "*value*" without further qualification, it is always a question of *exchange-value*' (1867, p. 4, underlined by Marx). Rubin, who decided that 'this note at first glance contradicts the text', puts forth the following interpretation: 'Evidently by the term value [*tsennost'*] (in Rubin everywhere *stoimost'*) Marx means here the content of value in contrast to its form, but therewith, as can be seen from the note, the form of value is supposed given in advance' (*Essays on the Theory of Value*, second edition [Russian], p. 86). This is wrong. Value here, as also in other places in Marx, is the way of expression of expended labour on the product; the content – is labour, value – is the form of expression. But since for Marx value is connected with the commodity, and since the for the commodity characteristic expression of expended labour is exchange value, then insofar as the term exchange value is used by Marx in the 'absolute' sense, and not in the relative sense, expressing the quantitative relations of two commodities, or insofar as he does not employ the term exchange value to denote the 'actively functioning' commodity values in exchange, there is in him no difference between value and exchange value. Marx, therefore, in *A Contribution* managed to circumvent also the single term exchange value. In the text quoted by us from *Capital* Marx clearly counter-poses exchange value in the *relative* form of its manifestation – to the concept of value simply as identical with exchange value in its 'absolute' form, as direct expression of labour time. Arbitrarily turning value – the form of expression of expended labour – into labour itself, denying the form in this concept and recognising only the content, Rubin further believes that only exchange value – is the form of expression of labour. In fact [however] in Marx here value is the same form, with the same content as also exchange value in the absolute sense.

To prove the correctness of his interpretation, Rubin quotes another passage of Marx's *Capital*, where in the first edition it was said: 'The mystical character of the commodity [...] arises just as little out of the value-determinations, considered in themselves' (p. 36). 'In the second edition, – Rubin says, – for the sake of clarity, Marx replaced *Wertbestimmungen* by the words *Inhalt der Wertbestimmungen* – by the content of the determinations of values... In another place (on p. 44), he left *Wertbestimmungen* without change. It is clear, that value 'denotes here the content of value as opposed to its form' (Rubin, p. 86). Exactly the opposite is clear: Marx did not 'replace' the words 'determinations of value' by other words, but *added* the word *Inhalt*, in order to explain to the reader that here the matter is about the content of the *determination* of value, that is about labour, and that the mystery of the commodity proceeds not from the point that in 'the determinations of value the content – is human labour'... 'Whence, – asks Marx, – then, arises the enigmatic character of the product of labour, as soon as it assumes the form of a commodity' (Marx 1976a, p. 164)? And answers: from the *form* – [namely] value, and *not* from labour – the content.

the medium of exchange'.⁵¹ Marx, of course, knows and indicates this himself in many places. And if he did not emphasise in this place the *exchange* character of the product, as a commodity, it is because here he is interested in the condition: 'He who satisfies his own need with the product of his own labour admittedly creates use-values, but not commodities', which is certainly exact. But in Marx here the error lies elsewhere. Engels did not indicate it, remarking only: 'The medieval peasant produced a corn-rent (*Zinskorn*) for the feudal lord and a corn-tithe (*Zehntkorn*) for the priest; but neither the corn-rent nor the corn-tithe became commodities simply by being produced for others. In order to become a commodity, the product must be transferred to the other person, for whom it serves as a use-value, through the medium of exchange'.⁵² Marx, let us repeat, knew this well, but he did not recognise that *this* rent and *this* tithe represents not only use value, but also *value*. According to Marx *only commodities* have value, but they [the corn-rent and tithe] were not commodities. Meanwhile, it is absolutely clear that these social products in kind, the landlord's rent and the priest's tithes, represented not only use value, but also value.

In the chapter on commodity fetishism Marx, however, explains to us why he does not consider rent and tithe to be values.

[In] medieval Europe, shrouded in darkness, [...p]ersonal dependence characterizes the social relations of material production as much as it does the other spheres of life based on that production. But precisely because relations of personal dependence form the given social foundation, there is no need for labour and its products to assume a fantastic form different from their reality. They take the shape, in the transactions of society, of services in kind and payments in kind. The natural form of labour, its particularity – and not, as in a society based on commodity production, its universality – is here its immediate social form. The *corvée* can be measured by time just as well as the labour which produces commodities, but every serf knows that what he expends in the service of his lord is a specific quantity of his own personal labour-power. The tithe owed to the priest is more clearly apparent than his blessing. [... T]he social relations between individuals in the performance of their labour appear at all events as their own personal relations, and are not disguised as social relations between things, between the products of labour.⁵³

⁵¹Marx 1976a, p. 131.

⁵²Marx 1976a, p. 131.

⁵³Marx 1976a, p. 170.

First of all, does not Marx himself point out that in *simple* exchange relations, with *direct* exchange the commodities of independent producers, the social relations of people in their labours appear to them as their own, personal, relationships. And further, is this 'dark medieval' relation of people, although also personally dependent of each other, not committed through *mediation* of things, like Marx (in the section on rent) and Engels (in *Anti-Dühring*) themselves indicate. There is no doubt that, together with the development of commodity exchange, money economy, and especially capitalist economy, the social relations of things ever more obscure the determination of their relations of people. But we do not want to pay attention to this now, but to the fact that Marx recognises that both *corvée* and *tithe* are measured by labour time, just as commodity-producing labour [is]. But what else does this mean than [the fact] that also *corvée* and *tithe* represent not only use value for the landlord and priest, but also *expended* labour, value, – as well as for the serf, – which both landlord and priest easily converted into *exchange* value, when they brought these products to the market. Otherwise we would have to recognise that the market, exchange, first causes a consciousness of labour value, and that while products are in the barns of the landowner or monasteries, they possess only use value. In fact the product, taking a commodity form, gives the form of exchange to the already existing in it labour value. This form, developing and becoming increasingly independent, diverse and complex (capital), also generates the fetishism.

We will, perhaps, be told: Marx emphasises that in the Middle Ages the natural form of labour, its particularity, and not its generality as in commodity production, represents its immediate social form. Let us suppose this is so, we will touch on this point later, but does this disprove that this natural labour, representing in its concrete form the directly social form, creates value? On the contrary, as expenditure of labour it here directly expresses social value, whereas in commodity production the expended individual labour is manifested only through exchange as social [labour] and individual value – as social value.⁵⁴

⁵⁴There will of course be critics who will reproach me for the fact that I, like bourgeois economy, instead of explaining 'the fundamental phenomenon of the exchange economy, namely commodity-value, from the particular social conditions of commodity production, look for it in a common to all economic modes [of production] attitude of individual man to things useful to him, which he finds in the world around him' (Kautsky 1926, pp. xv-xvi). To this let us remark: I of course proceed from the 'attitude' of a person in relation to things, to the world around him, not as the subjectivists do, from the 'individual' person and in his capacity as a consumer, but from the attitude of the individual in society, which is both consumer and producer. Insofar as we talk about commodity value, that is its exchange form, I deduce it precisely from the conditions of the commodity world. Insofar as it is about value, as a logical category common to all historical epochs, I of course proceed from conditions inherent in all societal economic formations. This method is not

4. Nature, society and labour value

While Marx emphasised in use value its *natural* character and pointed out that products, as use values, are characteristic of all social epochs, he by contrast persistently rejected in value any connection with nature: *value* has only a historically transitory *social* character. Among Marxists the opinion is fairly common that to Marx belongs the *discovery* of abstract labour as source of value. This, as we have seen already, is not true. The category of abstract labour – is 'the point of departure of modern [political] economy', Marx himself points out.⁵⁵ He attributed to himself only the *complete* dissection of the *character* of abstract labour, creating value. He considered new in himself the point, that he conducts his *critical* analysis of capitalist production, proceeding from the *dual* character of labour, while Smith and Ricardo *one-sidedly* reduced their analysis to *abstract* labour. Marx herewith says that he was the *first to critically* clarify the difference between the labour, creating use value, and – value, but not that he discovered this *difference*.

Just as use value, so too the labour that creates it, – is an eternal necessity for Marx. By contrast, the labour which creates exchange value, or, what is the same in him, – value, is peculiar only to a determined social epoch: namely where commodity exchange rules. What is the difference between that and the other labour? The first is 'expenditure of human labour-power in a particular form and with a definite aim, and it is in this quality of being concrete useful labour that it produces use-values'. The second is 'expenditure of human labour-power, in the physiological sense, and it is in this quality of being equal, or abstract, human labour that it forms the value of commodities'.⁵⁶ Such definition confounded and [still] confounds not only opponents, but also followers of Marx. Indeed it turns out: labour possessing exactly *social* qualities, [namely] utility and expediency, produces use value, that is what in Marx – is *nature*, and, conversely, human labour in its purely-natural qualities, like expenditure of muscles, nerves, brain and so on, creates *exchange* value, that is what in Marx only – is *society*.

only theoretically correct, but also practically important, because it is not unimportant to know which categories are common to all social epochs and therefore inevitably remain in their general properties also under a change of a given economic system, although they acquire special, specific features and change their form. Finally, to those who consider it *characteristic* of the socialist economic viewpoint that value is a category peculiar only to the commodity world, I will point out that such is the viewpoint also of vulgar bourgeois economy: for example at least Macleod.

⁵⁵Marx 1986, p. 41.

⁵⁶Marx 1976a, p. 137.

An explanation of this could be found first of all in the point that Marx, following Ricardo and Smith, contrasts man to nature. As is known, Ricardo pointed Say to his misunderstanding of Smith and explained to him, that 'natural agents' can create use value, but only the labour of man creates exchange value.⁵⁷ However, such an explanation is not enough. Marx in one place says: 'Man himself, viewed merely as the physical existence of labour-power, is a natural object, a thing, although a living, conscious thing, and labour is the physical manifestation'.⁵⁸ And this [stands] in connection with the remark, that '[v]alue exists only in use-values, in things, if we leave aside its purely symbolic representation in tokens'.⁵⁹ How can we reconcile in Marx this with his own repeated statement that '[a]s values commodities are *social* magnitudes, that is to say, something absolutely different from their properties *as things*',⁶⁰ and that in value there is 'not an atom of matter'?⁶¹

Dozens of times Marx tells us that the concept of commodity entails the 'materialisation', 'realisation' of labour in the product, that the commodity is *value*, as an embodiment [in the product] of human labour in general. Value, means therefore, a social evaluation of the labour invested in a commodity, whose expenditure is recognised by society as useful and necessary. Since consciousness is determined by being, so the evaluation [is] a social, mass-psychological, ideological phenomenon, [which is] determined by the real expenditure of human energy, wherewith it is of no consequence whether this expenditure is materialised in things or is a manifestation of labour force in the form of a service. A commodity has value because it embodies labour, but not the value of labour. Ridiculous, of course, is the view that in Marx value – is the content, and exchange value – is the form, [because] then in him value would be determined by its value, something for which he himself derided Ganilh.⁶² And it is clear that if one takes value only for the *mode* of expression, for the *form* of manifestation of consciousness, then it includes as much natural matter, as in the '[currency] rate of exchange'.⁶³ However, also this explanation does not eliminate the unclarity in Marx.

In his critique of Bailey, Marx emphatically counter-poses the existence of the commodity as a thing, as a use value, which in him is one and the same, to the existence of the

⁵⁷Ricardo 1821, pp. 335–6.

⁵⁸Marx 1976a, p. 310.

⁵⁹Marx 1976a, p. 310.

⁶⁰Marx 1989c, p. 316.

⁶¹Marx 1976a, p. 138.

⁶²[Marx 1989b, pp. 98–9. 'The product is value as the form of existence, as the incarnation of general labour, but not as "the *value* of general labour", which would be equivalent to the value of value'.]

⁶³[See chapter one of 1867 edition of *Capital*.]

commodity as a value, having nothing in common with the first, but appearing 'established'. Value indeed 'implies exchanges', – he agrees with Bailey, and thereby with all those who argue that value can only be exchange value. '[B]ut, – Marx stresses, – exchanges are exchanges of things between men; exchanges which in no way affect things as such'.⁶⁴ He resolutely objects to the 'Scottish' (Adam Smith) understanding of value as materialisation of labour. 'When we speak of the commodity as a materialisation of labour – in the sense of its exchange value – this itself is only an *imaginary* [materialisation], that is to say, a purely social mode of existence of the commodity which has nothing to do with its corporeal reality; it is conceived as a definite quantity of social labour or of *money*. [...] The mystification here arises from the fact that a social relation appears in the form of a thing'.⁶⁵ Bad just turned to worse. Here, before us, value is already something 'imaginary', 'conceived', as a naked 'social form [of expression]'... This seems to be pulling the arm of Simmel, whose entire *The Philosophy of Money* clearly shows that he had before himself Marx, even if did he not mention him more than two–three times. But Marx decisively dissociated himself from those who 'see in value only the social form, or rather its insubstantial semblance'.⁶⁶ Therewith he disassociated himself also from the now fashionable among us Rickert–Stammmler–Stolzmann and Petry, as well as from the 'symbolist' Simmel...

For illustration we will dwell here on Stolzmann. At first sight it may seem that Stolzmann, having learned from Marx a critical relation to 'naturalists' and 'subjectivists' in economy, is in solidarity with him also in the question of the relation of form to content of society. In fact there is a deep difference between them. Stolzmann separates form from content, [whereas] for Marx form is determined by social content and determines it in its turn. The economic inter-relations of persons for Stolzmann and others – is matter, is nature; [it is legal] *law* what 'regulates the uniform goal of the whole'. On one side in the conception of these authors – [stands] object, matter, causality; on the other – subject, goal, freedom. Here – are the laws of nature, there – human creativity. This teleological-social-ethical world outlook is alien to Marx. '[W]ith the changing needs of social, i.e. economic development, "positive law" can and must change its provisions',⁶⁷ – replies Marx to Hegel... It is a ludicrous statement of some commentators that Marx is interested in economy only in the form, and not in the content. Marx, on the contrary, gives Malthus's

⁶⁴Marx 1989c, p. 316.

⁶⁵Marx 1989b, pp. 26–7.

⁶⁶Marx 1976a, p. 174.

⁶⁷Marx 1981, p. 753.

criticism of Ricardo a plus, in that, following Sismondi, he accentuates the influence of forms on content in the capitalist system. But since Stolzmann rejects that nature – is the creator of the social and since Marx asserts, that nature creates neither value nor capital, then it seems, that they are like-minded thinkers in economy... We still shall have occasion to touch Stolzmann and his relative Petry with the analysis of money and credit. Here we will dwell a bit only on the definition of value by Stolzmann.

Value is not the primary phenomenon, it is merely the last expression of its reduction to a gauge of socio-economic functions. It is, at the same time, their quintessence, it is a derivative, derived from social relations. Value means the objective sediment (*Niederschlag*) of these relations (*Bestimmungen und Verhältnisse*), it is a concept of social reflection (*Reflexionsbegriff*), but it does not occur as the school of individualists consider, from the considerations (*Reflexionen*) of individual subjects on the satisfaction of their personal needs; it reflects the entire social structure, which alone gives the compulsory frame in which private economy must fit. It is a utopia, a chimera to strive to ground value in its essence outside this framework.⁶⁸

Value – is the 'quintessence', 'the last expression', 'derivative', 'objective sediment', 'a concept of social reflection', a 'reflection of the entire social structure', and so on. All this is a bit too much, even if we take into account the Stolzmannian 'frame of private economy', and at same time a bit too little for the understanding of the concept of value. This whole cascade of words of Stolzmann does not bring us one iota closer to understanding value than the old vague definition of it, as a social relation devoid of materiality. According to Marx: 'exchange value is a certain social way to express the work expended on a thing'.⁶⁹ Brief, meaningful and precise!

And nevertheless the fog around Marx's interpretation of value ever-condenses as we delve into the dissection of his theory, – the reader notices. And in fact, the exchange value of the commodity, says Marx, this – is the *social* form of existence of the product, which is indisputable. Does this form have any connection with the *natural* form of the product? – This too is something one cannot doubt. People's relations manifest, as we know, through the medium of things. It is about *exchange* of things, caused by determined relations of people in the production of these things. Herewith people *evaluate* the embedded *by them*

⁶⁸Stolzmann 1925, pp. 119–20.

⁶⁹[No citation.]

labour in the product. 'The value of things is nothing other than the relation in which people are to each other, one which they have as the expression of expended human labour power', explains Marx to Sieber.⁷⁰ The evaluation of things from this side is social. To the degree of development of commodity exchange, exchange value, becoming ever more independent in relation to the single individual, becomes ever more objective, mandatory for all. A single individual must take it into account, as a condition of his existence. And this makes itself felt especially in the capitalist commodity world of mass production. The question is: does such a social evaluation occur without relation to things? Are they [that is the buyers] not interested on the market, contrary to Marx, in the origin of wheat and did they not differently assess the contaminated small wheat of our peasant and the full clean wheat of the English farmer?⁷¹ 'It is about presenting the commodity in the form of a certain amount of social labour or money', Marx tells us. Yes, yes, but is this representation 'illusory', or is it connected to the actual concrete expenditure of labour on the commodity? How can one say that between social labour, human labour in general and numerous *concrete* labours, from which he also abstracts when assessing them, there is nothing in common? And if there is, then how can one deny in them *nature*, *human nature*?...

Marx's rejection in value of *any* connection with nature to some extent can be explained by his fear, that by merely opening an entrance of the door to *human nature*, the various like-minded [economists such as] Say, Bastiat, Roscher or McCulloch will let *all* nature in the window. And then it turns out that value, and hence also surplus value is not created by *human* labour, but by nature in general: land, machinery, working cattle, to which agreed also Tugan-Baranovsky among us.⁷² However, from the side of such 'naturalists' the danger to socialism is not very large: the French socialists it seems have long ago remarked to Say:

⁷⁰Marx 1927, p. 61 [translation White 2001, p. 6].

⁷¹Evaluation of things from the side of use value, for example, how many units of heat is provided by wood, coal and oil in their respective quantities, is different from evaluation of these products from the side of value of expended labour on their production. The quality of these things is taken into account also in the determination of their value, but again from the side of evaluation of the labour expended on obtaining them. These are, let us repeat, two *different* evaluations. The first evaluation could be called only technical, and the second – economic, *if the consumer were* not to approach the thing also in the first case *economically*, that is, [if he] did not compare the value of the given thing with its *utility* for him.

⁷²One can, of course, in philosophical fog consider functions, *operations*, production by animals or by things – by commodities, as use values – to be '*labour*', and then the *functioning* of machinery – creates value. But to this McCullochian 'materialism' Marx, as he himself says, prefers already the 'idealism' of Galiani (see Marx 1989c, pp. 400–1). However Sieber too could not plainly enlighten Rössler, who criticised *Capital* in Hildebrand's *Jahrbücher* [by asking]: 'why does food in the worker's stomach serve as the source of [surplus] value formation, but food, eaten by a horse or an ox, does not (Rössler 1869, p. 463)?' 'If Marx was dealing in natural science, then, perhaps, he would have found something of the kind of surplus value in ants, bees...', – replied Sieber... No, he would have found: value and surplus value are the expression of the expenditure of labour by *man*. '[I]n the one case, – notes Marx [against Sieber], – the food produces *human* labour power (people), and in the other – not' (Marx 1927, p. 61).

if nature *in general* creates value, then by what natural law do only the capitalists assign themselves the 'gifts of nature' – surplus value... It is curious that Marx came together here with Smith and Ricardo, giving value a purely social character, alien to nature: man for them – is *only* society. It is even more curious that they agreed also in the assessment of value as a category, peculiar only to the commodity world, although Marx stood herewith on the viewpoint of [historical] *relativity*, whereas for Smith and Ricardo this world was absolute...

5. Use value and exchange value

Vulgar economy, holding on to the fact that on the surface we have, on the one hand, commodities with prices, and on the other hand, – money with purchasing power, is free, of course, to consider value a scholastic burden.⁷³ But scientific theoretical economy in its analysis of the process of commodity circulation could not but lead to the conclusion, that commodities can appear on the market with monetary prices only because they converted already their value into them *in spe* [in hope], and for this there should be already money, as measure of value. In other words, money and commodity prices presuppose already the existence of value both in the commodities and in money.

But then the question: what is this value? To this classical economy replies: value first of all is the common property of *commodities*, what makes them capable of exchange. This property cannot be their use value. Marx is consistent, when indicating, that the product must have a social use value, to become a *commodity*, nevertheless eliminates this latter in his analysis of the value of a particular commodity. He does this because having a social use value is not characteristic of the commodity: every product produced for society at all stages of its development should have a social use value, but this does not make it a

⁷³This is also the theory of Cassel. For him 'value always means only price, which is paid under given conditions'. Not understanding the essence of the double assessment of commodities as use and exchange value, he sees in it only 'the ambiguity of the theory of value...' 'Economic doctrine is primarily a theory of price', he says (Cassel 1928, p. 24). From *such* 'broad' viewpoint, of course, 'the selection by Smith and his closest successors of the character and cause of the wealth of nations as study subject' must seem arbitrary, and that to this issue, that is to the fundamental question on the development of production forces of society, they paid 'a bit too much space in the system' [our translation]. We gave, as curiosity, this opinion of the modern McCulloch, as we dubbed him in 1923, not knowing then the evaluation which was given of him back in 1919 by Knut Wicksell in *Oekonomik Tidskrift* No. 9 (translated [in German] in *Schmollers Jahrbuch*, 1928, No. 5): 'Cassel has the defect of desiring at all costs to be esteemed an original and even path-breaking theorist, and this in every branch of economics. [...] I am afraid that his claim is based on an illusion. His originality does not extend in most cases beyond an exposition of the ideas of others in a new, if not always improved, version' (Wicksell 1967, p. 220).

commodity yet. But in Marx the talk is about the commodity, with which, as we have seen, he also only connects value. But when Marx formulates *this* idea in such a way, that the existence of commodities as exchange values is 'completely independent' from their existence as use values, then this incorrectly expresses his own view on the relation of exchange value to use value in the commodity world, and enthrals Knies, who can observe here a defect in him.⁷⁴

And is the existence of the commodity, as exchange value, really found without connection with the material, substantive being of the commodity, with its natural form, which Marx himself – and, as we shall see, – unsuccessfully identifies with use value? Evaluation of the commodity as a use value and its evaluation as exchange value – is different, but in both cases the evaluation is connected to the object, with its material and social properties. There emerges then the question: how in nature, in material things, can there be a common property? – The seventeenth century economist Barbon, then, was right, to deny the existence of the intrinsic value of commodities, and also Macleod, who, referring to him, declared unfortunate the coming of Smith and Ricardo in thought: to discover internal value in commodities? It is clear, however, that the property of *being* [*byt*] value is acquired not because of what *exchange* 'fastens' to it. It is clear that a thing acquires such a property not because it is assessed once as use value, then as exchange value; on the contrary, it is so assessed because it possesses the relevant property. Marx, however, apparently, is of another opinion. Value is pasted to things from the outside; people imposed their relations among themselves onto things, endowed them with their qualities, which are not intrinsic to them as things, and transformed things into fetishes, – that is what can be read in Marx.⁷⁵ Let us therefore look closer into the question.

Commodities are endowed with a common property – value. This social property, of course, is not accidental, just as the whole commodity world is not accidental. The question is: is this common property of commodities the *content* of the thing or the property of its *form*? – 'Of the form', answers Marx. Only the commodity, the well-known social form of the product, has value, products that are not commodities do not have it; use value is a natural property of products. Does this mean that society imposed on the product-commodity only a certain stamp, that value is a symbol, a sign according to Hegel, a label

⁷⁴Knies 1873, p. 121.

⁷⁵In the first part of my book [Marx 1987a, pp. 275–6, 289–90], I mentioned that it is characteristic of labour based on private exchange that the social character of labour "manifests itself" in a perverted form – as the "property" of things; that a social relation appears as a relation between things (between products, values in use, commodities). This *appearance* is accepted as something real by our fetish-worshipper [Bailey], and he actually believes that the exchange value of things is determined by their properties as things, and is altogether a natural property of things' (Marx 1989c, p. 317).

according to Simmel, something nominal, only an expression of the relation of people in society in general, as we hear it from Stolzmann and other social-ethical economists? – 'No', replies Marx on this. Money is not a symbol, just as the commodity is not a symbol.

'A social relation of production appears as something existing apart from individual human beings, and the distinctive relations into which they enter in the course of production in society appear as the specific properties of a thing – it is this perverted appearance, this prosaically real, and by no means imaginary, mystification that is characteristic of all social forms of labour positing exchange value'.⁷⁶ On this answer of Marx we remark: in the commodity world people have their social relations *objectified* in things. This by itself is not yet not fetishism, not [yet] mystification; in simple commodity relations this is evident. Only in more developed, complex, social forms do people either not see, or it is in their interests not to see, that what they consider inherent properties of things or natural, 'eternal', are their relations, in fact – materialised, historically transient material relations. The question is: whether value is something abstract, hypothetical, ideal, only objectified in things and therefore only a symbol, or is it something material; whether value is an immaterial, non-material relation of people, which receives only material *expression*; whether it is only an *imagined* 'property of things', and in its monetary form value 'is represented' only as a thing, as a special commodity? – 'Yes', answers Marx in many places. But such an answer cannot satisfy and cannot but call forth a whole series of doubts and questions among the students of Marx.

First of all Marx tells us incessantly that value is an expression of the social relations of people in *production* – an expression of the relations of people in their productive activities. Hence not simply and not generally the relations of people, but the *work* of individual persons, and moreover socially alike and parts of the whole. And the expenditure of labour is its application to matter, an application with the aim of subordination to oneself, 'appropriation' of nature; the relation of people in production and in exchange is not only a relation of people, but also through *things*; this production is social, but it is also material; this exchange is social, but it is also material.

They will say: not the materiality characteristic for commodity production and exchange distinguishes it from non-commodity production, but its social form. This is so, but are not form and content connected according to Marx, does not this form of production and exchange, this relation of people in production, depend on the condition of material production forces and, on from its side, does not content depend on form? And in that case

⁷⁶Marx 1987a, p. 289.

is not exchange value – 'an objective expression of a specific form of labour' not only in the sense of objectification in things of this form, but also in the sense of the necessary manifestation of *expenditure of labour*, in this specific form, in *things*, that is, is it not a social-natural property of the thing? Has not Marx himself told us dozens of times that value – is 'materialised', 'realised', 'embodied', 'ossified', 'condensed', 'hardened', 'crystallised', and so on, human labour? Is this labour in that specific form, social in its form, as it manifests itself in the *commodity* world, is not the expenditure of natural human power, whether expressed in the application to matter or as service, is not this social-determined labour a determined form of transformation of human energy into work? Marx himself considered it necessary to make the following additional note in the second edition of *Capital*. It is very important.

What Lucretius says is self-evident: "*nil posse creari de nihilo*", out of nothing, nothing can be created. "Creation of value" is the transposition of labour-power into labour. Labour-power itself is, above all else, the material of nature transposed into a human organism.⁷⁷

This sounds already different, but here too labour power in Marx – is only 'the material of nature transposed into a human organism', but not itself a direct *natural* power. Human nature also here separates man from nature. Man here in Marx continues to *directly* represent only society, but not also nature. And this while Marx himself teaches that a person lives in a double environment: physical and social, that nature acts on him and he on nature, as a member of the social organism. All these endeavours of Marx to dig a *gap* between nature and society in the question of *value* evoke all the more surprise, since from his very doctrine follows that man – is a bridge between nature and society. And he himself writes black on white: '[S]ociety, viewed according to its economic structure, [... is] the totality of the relationships which the bearers of production have towards nature and one another'.⁷⁸

Before us, thus, stands the question: how to connect in Marx [the position] that 'creation of value' is transformation of labour power into labour, – which appears also a *tacit acknowledgement of the commonality of value to all social formations*, – that value is materialised labour, with the position in him that value itself is materialised in things? In

⁷⁷Marx 1976a, p. 323.

⁷⁸Marx 1981, p. 957.

the first case value, the social category, has material content, is a manifestation of *natural human* power, in the second it is only objectified, represented in a thing and in the form of a thing depicted. How to connect in him [the position] that value is not a sign, not a symbol, not a form and at the same time it is merely a 'mystification', 'semblance', and so on? The answer is the *following*: between these formulas there is no contradiction if we assume that they are parts of one *general* formula: labour – exchange value – relative value, – monetary value.⁷⁹

The inconsistencies in Marx were due to the fact that he leaves aside the *source* of value when analysing the *manifestation* of it in *exchange* economy, its *relative* form. Value, is reflected in our thinking, in our consciousness of the expenditure of human labour in a *given* product, that is the social form, having a material content, receives in the *commodity* world an existence separate from *its* product, and this is manifested in another material content, in another product. Value as 'absolute', as the relation to *labour*, manifests [itself] as relative, as a relation of products, commodities. When Marx speaks about the 'semblance', 'imaginary', 'mystified', and so on materialisation of value, he means precisely

⁷⁹ 'Within the value-relation and the value expression included in it, the abstractly general counts (*gilt*) not as a property of the concrete, sensibly real; but on the contrary the sensibly-concrete counts as the mere form of appearance or definite form of realisation of the abstractly general. The labour of tailoring, which, e.g. hides in the equivalent coat, does not possess, within the value-expression of the linen, the general property of also being human labour. On the contrary. Being human labour counts as its essence, being the labour of tailoring counts only as the form of appearance or definite form of realisation of this its essence. This *quid pro quo* is unavoidable because the labour represented in the product of labour only goes to create value insofar as it is undifferentiated human labour, so that the labour objectified in the value of the product is in no way distinguished from the labour objectified in the value of a different product' (Marx 1978b, pp. 139–40). In this quote, which we took from the 'popular' appendix to the first edition of *Capital*, we meet first of all with the expressions 'labour objectified in value', which would be not only unfortunate, but also incomprehensible alongside the expression of the same Marx that 'value is embodied labour', if this were not explained by the fact that Marx in this quote speaks about the *relative* form of value. Next, Marx wants here to tell us that the commodity, as equivalent, represents in its use values not 'concrete' labour, but abstract, that is labour in general. And this is so, as a gram of iron on the scales represents not iron, but gravity. But it would be more than unfortunate to say, that iron represents weight, as the form of manifestation of the substance of weight, that is, that it is like the sensibly-concrete – only a manifestation of the substance of weight, at the time when iron precisely in the quality of a concrete body possesses a weight and therefore also can serve as the measure of it. The coat as tailor's labour presupposes concrete expenditure of labour, therefore, it can serve as the general measure of this expenditure of labour in general. 'This inversion, – continues Marx, – by which the sensibly-concrete counts only as the form of appearance of the abstractly general and not, on the contrary, the abstractly general as property of the concrete, characterises the expression of value. At the same time, it makes understanding it difficult' (Marx 1978b, p. 140). But from where did Marx take that this abstract labour is not a property of concrete [labour], how then could commodities have prices, if they did not have (individual) values before turning into a monetary form, at least ideally? This whole reasoning would be completely incomprehensible on the lips of Marx, who only operates with the dialectical method, but does not share the view that the abstract idea merrily walks around and is incarnated in the concrete, if here in the formula of Marx: abstract labour – exchange value – relative value – monetary value there would not be already the assumption that abstract labour, the expenditure of labour in general, is preceded by concrete [labour], that it is abstracted from the latter. Having received an expression in the minds of people, as an exchange value, this abstract labour is objectified, as relative value, in the concrete labour of a commodity-equivalent, and, later, in the concrete labour of the monetary commodity – gold. Our abstract labour, thus, did not fall from heaven, but has a very prosaic, earthly origin. It – is the expenditure of labour in general: by the spinner and tailor in their works...

relative exchange value and its forms, including the monetary form. It, really, is objectified into things, while the absolute – is directly material. 'A use-value or good has a *value* because *labour* is *objectified* or *materialized* in it', Marx tells us.⁸⁰ What, value is material! [?] – exclaims the commentator. Does concrete labour create value? Does not Marx teach us that value is formed by abstract labour, and is such labour really material? This impels us to consider *what* labour – is the source of value.

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'We have seen that when commodities are in the relation of exchange, – says Marx, – their exchange-value manifests itself as something totally independent of their use-value'.⁸¹ If one therefore abstracts from the latter, then the general, what appears in the exchange value of commodities, – is their value. At the same time abstracting from the use value of the individual commodity, a product of labour, abstracting from its concrete, useful, properties leaves in it only the fact that it is crystallised abstract human labour. Hence the conclusion that this labour also makes the commodity a value. Such a way of identifying the essence of value became the target of attacks on Marx. Let us leave aside Böhm-Bawerk, who reproached here Marx of 'artifice' [*Kunststück*]: he took, it is said, a product of labour, of course, labour then is also obtained in the conclusion. From *this* side everything is logically flawless in Marx: the commodity and product of labour are not one and the same; further, one cannot start analysis of value from commodities that are not products of labour, which therefore also *are* not values, but *have* only prices. More attention deserves here Knies. On him we will also dwell.

Why does Marx abstract from use value? – Knies asks. There is all justification for abstracting from labour, which cannot serve as the basis for an equivalent exchange due its diversity. Abstraction from *differences* in use values, reduction of various use values to a general use value, that is what equalises goods and eliminates, according to Knies, the obstacle on which Aristotle stumbled. Is this so? – It is beyond doubt that use value is just as much a common property of the commodity as exchange value is, but, as we have already noted, it is not the characteristic for the commodity. In the examined place Marx looks in commodities for a common unity, 'different from their existence as use values'; but the differences of exchange values from use values, no doubt, are not one and the same, there is a 'total independence' of them. True, in Marx here it is about the manifestation of

⁸⁰Marx 1976b, p. 9. Underlined by Marx.

⁸¹Marx 1976a, p. 128.

exchange value in the *relative* form, in the use value of *another* commodity, and in this sense independent from the use value of the own commodity, which Knies did not notice. But this is not the same as 'completely independent'; it would be more correct to say *separate* from its use value. And in another place Marx says: '[H]owever important it may be to value that it should have some use-value to exist in, it is still a matter of complete indifference what particular object serves this purpose. We saw this when dealing with the metamorphosis of commodities'.⁸² However, this statement too can be accepted only *cum grano salis*: the realisation of value very often depends [on the point] in *which* use value it exists.

An explanation for Marx's emphasis on the independence of exchange value from the use value should be seen to a certain extent in the fact that, in contrast to bourgeois economy which put forward the *unity* of use and exchange value in the commodity and obscured the opposition between them, he considered it important to put them in opposition, as a characteristic feature of capitalist production. But as a Hegelian he knew perfectly well and pointed to the *internal* connection of exchange and use value for all their *external* independence and *opposition*.

Nevertheless, the inconsistency in the definition of Marx of the relation between use and exchange value cannot be denied. Of interest therefore are the comments made by Marx in one of the letters to Engels (from 25 July 1877) about the criticism of the 'catheder-socialist' Knies. Indicating to the latter, that in him, Marx, it is not about use values, but about commodities, which Knies forgets, and that he does not at all wish to equate values to 'reduce use values to value', as Knies thinks, Marx ironically asks about the equation of Knies of various use values *through the reduction of them to a common factor of use value*: 'why not simply to – weight'?⁸³ This question is very characteristic for Marx: use value, as we have already noted in him is the same as a natural property of commodities, as *weight*, and this in contrast to exchange value, [which is] a social property.

If things express their heaviness in iron, it is because they have a common natural property – heaviness; therefore something of iron can also express by itself weight. We, thus, in the physical world measure the properties of things *relatively*... The measurement of the value of one commodity in the use value of another – is a matter analogous, but profoundly different, Marx answers on this. Value is a 'supra-natural' (*übernatürlich*) property of things; it is 'something purely-social'. Social – that is beyond doubt, but is this property

⁸²Marx 1976a, pp. 310–1.

⁸³Marx 1991b, p. 252.

connected with the thing's nature, with the body's property? – It is absolutely not connected, 'entirely different', – replies Marx. And here he himself indicates, that 'in the equivalent form use value expresses value'. Would this really be conceivable in the absence of any connection between use value, nature according to Marx, and value – only social? 'The equivalent has force only within exchange relations', replies on this Marx.⁸⁴ Very well, but this property of things arises not from the relation of things, but on the contrary, is manifested in the relation: '[p]ower of a thing [...] is something intrinsic to the thing', – Marx himself indicates to Bailey about the latter's 'purchasing power' of commodities...⁸⁵ However, in the treated by us place of *Capital* Marx forgets this and makes only the conclusion, that the equivalent form gives bourgeois economy occasion to think that the commodity 'seems to be endowed with its equivalent form, its property of direct exchangeability, by nature, just as much as its property of being heavy or its ability to keep us warm'.⁸⁶ This, of course, is a coarse error from the side of bourgeois economy, but mistaken is also Marx, who considers, that value is not connected with nature, concrete labour, who considers, that use value is the same as heaviness and heat...

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Use and exchange value are two completely different evaluations *by people* of the same thing: the first – from the viewpoint of its particular utility and the second – in terms of labour expenditure for its acquisition. For such an assessment to take place, it is necessary, first, that there be present an object, and, secondly, a subject – a social individual. Of course, we can here speak only about a *mass* individual, the psychology and actions of which is determined by the conditions of his life and in connection with others. Therefore the assertion of Marx is wrong that 'use-value is the natural property of things, is useful for the natural needs of man' or that '[u]se value expresses the natural relationship between things and men'.⁸⁷ Also as a use value the commodity has a social existence. Of course, commodity exchange is not a relation of natural properties of things. Of course, it is not a relation between natural properties of things and natural needs of people, but [is] a social phenomenon. But the use value of commodities – is not the same as their weight: it has a

⁸⁴[No citation.]

⁸⁵Marx 1989c, p. 328.

⁸⁶Marx 1976a, p. 149.

⁸⁷Marx 1989c, p. 429 [first part not found].

social character as well. Marx is therefore wrong when he recognises 'social existence' here and there 'only for exchange value'.⁸⁸

Both use value and labour value are of social-natural origin. Both one and the other value are intrinsic to all social formations. Is only man's consciousness of the utility of an object natural, and is man's consciousness of the expended force for the production of an object not likewise natural?⁸⁹ These are two different evaluations, intrinsic to all social epochs, only they are manifested in them differently. People learned to abstract and to measure before trade. The concept of weight arose in connection with the sense of the force of gravity, and not from weighing objects on scales; the concept of value arose from the consciousnesses of the value of expended human labour, and not from the *exchange* of one's own labour to another's [labour].

Criticising Bailey and others, Marx in *Theories* parses the origin of the word *Wert* and *value* in different languages, relying on a Belgian etymologist. It turns out that *Wert* (in Sanskrit: *wer*, *wertis*) means the intrinsic property of a thing; *value* (in Sanskrit *wal*), means power... Exchange value, Marx says here, is quite independent of its material qualities, [and] value is intrinsic to its quality, *virtus*. But value in Marx here is the same as use value. He also [explicitly] says so: 'In fact the terms originally express nothing but the use value of things for people [...] Exchange value, as the result of social development which created it, was later superimposed on the word value = use value'.⁹⁰

This too is wrong. Also originally value and use value were *different* assessments, but inseparable from *given* things. The root *wer* denotes in all languages, beginning with

⁸⁸To prove the difference between the exchange and use value Marx indicates that 'No scientist to date has yet discovered what natural qualities make definite proportions of snuff tobacco and paintings "equivalents" for one another' (Marx 1989c, p. 317). This is right. But no scientist has also discovered why snuff tobacco, not losing its natural properties, went out of fashion, and why paintings of first-class masters lose their use value in a country where, for reasons far from natural, one cannot get enough bread. It is curious that Simmel, repeating that it is impossible to discover economic value in objects, as they are not explored, explains this by the point that 'value is solely a *relation* of exchange' (Simmel 2004, p. [not found]); he knows only *relative* value – the product of exchange... In another place in Marx we read: 'the use-value of a thing is realized without exchange, i.e. in the direct relation between the thing and man, while, inversely, its value is realized only in exchange, i.e. in a social process' (Marx 1976a, p. 177). The question is: is not directly 'realised' together with the use value by a person also the value, when he personally eats or productively consumes a thing? And, finally, does not Marx himself say that in the commodity world the thing can 'realised' as a use-value, only after passing through an *exchange*, only 'realised' before as a value. The attempt of Marx to oppose use value, as nature, to labour value, as society, also here cannot be considered successful. Use value, of course, is not characteristic for social production; this property of labour value: it is common to all ages, wherewith its character changes...

⁸⁹ Incidentally let us note that if Aristotle considered use value to be of nature, and exchange – of society, then this is still understandable: in him exchange value – is the utility for exchange. It is understandable that in him value is connected with commodities. But after all, the concept of value which was introduced by the classics is connected with the expenditure of labour, and not with exchange. [The place of this footnote on the page was not marked.]

⁹⁰Marx 1989c, p. 429.

Sanskrit, to protect, love, respect, appreciate... The root *wal* (*value, valor*) covers *power*. And valued in a thing was not only its quality for utility, but also the power expended on it. The more that primitive man valued a thing as useful, the more he spent his power on its extraction. There was here no contradiction between value and use value, on the contrary, they were connected in this thing. The concept of value could therefore at that time span both meanings. Afterwards *labour* value turned into *exchange* value. The latter is not 'superimposed' on *use value*, but on the contrary: it increasingly *separated* from it.

6. Historical-ethnographic excursus

It is historically and ethnographically proven that exchange between tribes was preceded by other forms of transfer of goods from hand to hand: seizure and sharing, gifts, prizes in contests, tribute... There can be no doubt that these forms of transferring things were associated with an evaluation of them. One took, gave and demanded of conquered peoples things which had value in the eyes of those who appropriated them. What originally lied at the basis of the assessment? – *Use* value, is the common answer. With military raids and robbery, where there is no question of reparation, this is natural, although they divided the loot not always by the sweat of the participants; the robbed people of course knew how *difficult*⁹¹ it will be for them to reconstitute what was taken from them.⁹² With the *gift*, which was *mutual*, there was already undoubtedly taken into account not only the usefulness of the thing, but also the difficulty of obtaining it. This *double* assessment was directly in *this* thing, was in it indivisibly, but nevertheless [the double assessment was in the thing]. In the times of Homer we see an exact enumeration of donated things, in full consciousness of their value. They evaluated every thing separately in its use value and, of course, quantitatively: so many mantles, covers, slaves, gold. They counted carefully, because they did not want to lose, when it was the turn to give back.

Such data have survived both on Babylonia and Egypt, relating to the fifteenth century before the common era. The gift, as an economic institution, preceding exchange, is a widespread phenomenon among primitive peoples.

Under common production, under common effort – on hunting or catching fish – the product was divided between the participants in the work, wherewith the principle: from

⁹¹[In Russian *trudno* (difficult) is close to *trud* (labour).]

⁹² Sieveking (1925, p. 12) points to an example of 'organised robbery': thus, the forest inhabitants of Africa attack the fields of neighbours, take the fruits and as compensation leave their hunting prey.

each according to their ability and to each according to their need was by no means the rule in primitive society. There is an observation of certain forms of distribution among members of the tribe, members of the family: wives give part of their work to their husbands, the youngest to the eldest, all to the leaders, and so on.⁹³ There is also the right of inheritance, distribution of property of the deceased, his weapons, instruments of production, between the next of kin. *Personal ownership* over instruments of production – accumulated labour – is a common phenomenon. All these phenomena least of all, of course, imply that the expenditure of labour was not taken into account at that time in the evaluation of the product; Referring to Maurer, Marx in one place remarks that 'among the ancient Germans the size of a piece of land was measured according to the labour of a day', the work of a man.⁹⁴ However, it is more probable to assume that also before exchange, people evaluated their labour more in [terms of] their own products of labour, than in labour time. And Marx's position that 'the characteristic which objects of utility have of being values is as much men's social product as is their language',⁹⁵ should be related also to the pre-exchange period.

In the assessment of gifts labour could [only] play a secondary role, when we take into consideration that gifts were [made of] surpluses and usually by prosperous people, leaders, who got this more or less easily by theft, tribute or exploitation of someone else's labour. However, in those cases where we have before us the imposition of tribute on the conquered, taxes on their fellow tribesmen, servitude on the enslaved, this levy was measured. After all then also brothers became slaves when it was seen that those subjugated give more of their labour than they consume, that is at a certain stage of development of the productivity of labour. And those paying natural duties to the state,

⁹³See Somló 1909. A shortcoming of Somló is that he mixes distribution of products within the tribe and between tribes, *Güterzirkulation* and exchange, which is *not one and the same*. The gift is different from exchange, although the latter, having arisen, also according to Bücher (1924, p. 9) still 'for a long time carried the features of the gift'. Let us note at the same time, that the artificiality of Bücher's depiction of the emergence and development of economic forms is sufficiently clarified in the literature, and in particular his primitive economy of individual obtainment of food is speculative fabrication. But, on the other side, the depiction of an idyllic primitive communism, usually met in socialist literature, is erroneous too. Cunow likewise indicates that among the primitive Tasmanians and Australians the land was communal, 'but all that an individual man acquires by his power, his labour, – he owns. When many men together hunt, then to them all also belongs the catch. But even in this case too not all participants have the same claim on it. Those who more promoted the result, also have right to a greater share'. In those cases where consumer communism is observed, it is caused here by necessity; communism – by distress. There was an even more developed ownership of tools and products of labour among the Indian tribes of the American North-West coast, who stood on a higher level of development [and] knew already trade and money. (See Cunow 1926, pp. 77–8, 142 and following).

⁹⁴Marx 1976a, p. 164.

⁹⁵Marx 1976a, p. 167.

whether in ancient times (in Egypt, Babylonia, India or China) or in later times in European countries knew well, how much labour this costs them.

The above mentioned forms of distribution, which preceded exchange between tribes, Marx does not touch, but he points out in passing in *Theories*, that property, based on labour 'isolated or social', arose in society as soon as the first animal state is left behind.⁹⁶ Interesting likewise is his comment in volume three of *Capital* that under the sway of capitalist economy also the non-capitalist producer is permeated by the capitalist way of calculation. Herewith he refers to Balzac, who in his *Les Paysans* sketched how the peasant performs all kinds of services for the usurer unpaid, 'yet does not see himself as giving something for nothing, as his own labour does not cost him any cash expenditure'.⁹⁷ But this peasant saw like a capitalist, [whereas] the ancient and medieval peasant did not see their labour as a gift.⁹⁸

What conclusion can we draw from this excursion? Categories of the commodity world, of course, cannot be transferred to the epoch of natural economy. There were no *prices*, no *exchange* value, no *commodity* value. But also then there was an evaluation of the products of labour not only from the utility side, but also from the side of expended labour on them, and in *this* sense there was also then value general in content with the present [value]. Labour value traces its chronology, one can say, from the time of the Fall: 'in the sweat of thy face shalt thou eat bread'...

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History and ethnography show us that along with theft, gift and tribute already very early also exchange appears. Evidence determinedly says that exchange initially arises between hordes, clans, tribes, and this due to natural conditions: differences in geography, geology, climate, and so on. Initially there is exchange of products of nature, later, also products of labour. Characteristic herewith is that in the beginning food products rarely are exchanged – these are articles of subsistence economy, there occurs for the most part an exchange of tools of production, weapons, objects, ornaments, raw materials.

In whatever form exchange took place among primitive peoples, whether it was 'voiceless', – which appears not at all to be the original form, – collective (as among the Australians or American Indians) or was done by individual persons (for example among the Vedda),

⁹⁶Marx 1991a, p. 301.

⁹⁷Marx 1981, p. 130.

⁹⁸'Go and seize the product of their [the peasants'] agricultural labour beyond a certain point and, despite all the gendarmes at your command, you will not succeed in keeping them on the land!', – wrote Marx [in his draft] to Zasulich (Marx 1989a, p. 359.).

whether it was conducted only by the leaders, by the authority of the clans, or because in their hands accumulated surpluses from gifts, taxation or robbery, – in all these cases the exchange of products had at first a utility character. And since they exchanged usually surpluses, then also the expenditure of labour could in the beginning play herewith [only] a secondary role. To this also Marx points in his *A Contribution*, and in *Capital*, on this speaks also Bücher, although this by no means can always be proven in all cases.

As we move to less primitive peoples, we meet also with more regular exchange. Exchange trade turns products into commodities. Products, found in excess, acquire the Aristotelian 'utility for exchange'. But this exchange utility or value at first is not separated from the use value of the product. The article of exchange has not yet a form of value, independent from use value; this does not mean, however, that labour value is not present, that there is only a use value or, that the latter is the source of the first. In more developed commodity exchange and, further, in commodity *circulation* of products of natural economies, that produce for themselves, as we have in trade of capitalist countries with primitive Asia or Africa, where there already takes place exchange by value, separated from use value, where exchange of equivalents and as *exchange* values takes place, the sales of products by their actual values, by the *quantity* of labour expended on them, still has not yet decisive significance for producers-vendors. They do not produce for sale: they exchange surpluses for their own consumption purposes. In brief, also here *producers* approach exchange of products from the consumption viewpoint, rather than the commercial one. Only where the merchant enters, as intermediary, with his goal of *exchange* value, there the sale of his purchased products, by values, by quantitative equivalents, acquires significance. This happens even more when *commodity production* appears on the stage, for the sake of exchange value...

Adam Smith, of course, is wrong, saying that in man there is an innate propensity to exchange:⁹⁹ primitive man does not exchange. However also Bücher is completely wrong, saying that the savage has an aversion towards exchange: he, supposedly, does not enter into exchange because 'there is no generally accepted measure and, as a consequence, he fears deceit'.¹⁰⁰ With gifts deception was also possible, and nevertheless it was widespread; herewith, according to Bücher, the 'morality' of the savage is not at all high. But here is the feature of primitive exchange to which Bucher points: 'the product of labour is, as it were, a particle of the person who produced it and he who gives it to another, alienates a particle of

⁹⁹Smith 1909, p. 19.

¹⁰⁰The assertion of Bücher (1924), that the savage in general is afraid of exchange, is erroneous: the savage is afraid of exchange with *Europeans*, for which he had good reason.

his 'I' and gives evil spirits power over himself. Both in the ancient world and in the course of the Middle Ages exchange has a social character, occurs under attestation with the use of symbolic forms'.¹⁰¹ The same we find, literally, also in Simmel. If this interpretation of the psychology of the savage–producer in exchange is true, then this phenomenon speaks for [the point], that he gave labour expenditure a greater significance than is usually attributed to him, including also by Bücher. On the other hand, the fact that the trade developing from random exchange between tribes and so forth, had a social character for a long time, is an exact argument against the subjectivists, since it shows that even then, when consumer evaluation dominated exchange, it was not the individual, subjective, but the social, that is objective evaluation which played the role.

One should not, however, exaggerate and ascribe the socialness of exchange, the control over it in the Middle Ages, to 'communist principles', which were still alive in society thanks to the German mark, which made not only the peasant, but also the medieval merchant in essence a 'comrade', and not an 'individualist'. That is meanwhile how Engels depicts the matter in his 'Addendum' to volume three of *Capital*¹⁰² when explaining the appearance of the commercial rate of profit. Control over trade in this time should in greater degree be ascribed to personal dependencies, which characterise then all social relations, and the necessity to shield those exchanging not only from deception, but also simply from robbery. The merchant in the antiquities and Middle Ages is a pirate, a robber in the direct sense of the word. And not so much a 'communist mindset', but the necessity to connect the socially-naturally evolving social division of labour between different localities, – countries, towns and villages – and the necessity to ensure exchange a peaceful course, – let us remember the role of the foreigner in the history of the development of trade and the hostility to him, – caused a demand in social organisation, control over exchange, as well as in the emergence of merchant partnerships.¹⁰³

¹⁰¹Bücher 1924, p. 55.

¹⁰²Marx 1981, pp. 1039–40.

¹⁰³It is characteristic that in ancient Mexico we meet with phenomena analogous to the European Middle Ages. Mexicans by the time of their discovery were already at a high level of development. Here there was already a place for production for exchange. Foreign trade was conducted by communities (*calpulli*) through special persons (*puchteca*). But it was not without danger: there were attacks on the caravans of porters en route, the merchants encountered hostility at places of marketing; they therefore with their porters traveled not alone, but in company with other merchants of their tribe, forming partnerships, "guilds"..." (Cunow 1926, pp. 277–79).

7. Abstract labour and value

If one discards from all types of work that which distinguishes them from each other, and declares what remains to be the labour, creating value, then one gets only a *negative* definition, – says Simmel in his *The Philosophy of Money*. 'In fact, however, what remains left over in no way corresponds to the physical concept of energy – as a tempting analogy might suggest – which, in its quantitative invariateness, can sometimes appear as heat, as electricity, as mechanical motion. Indeed, a mathematical expression is possible here which represents the common element of all these specific phenomena and represents them as expressions of this one basic fact'. To human labour, as source of value, this is not applicable, – says Simmel. Hence also the conclusion in him: 'The assertion that all labour is simply labour and nothing else [is], as the basis for the equal valuation of such labour, [something] inconceivable and [an] abstractly empty'.¹⁰⁴

Simmel is right that the definition of labour as creator of value, through the above-mentioned abstraction – is only *negative*. But Marx knew this better than Simmel. He himself blames the classics for the fact that they did not sufficiently investigate the *determined* form in which labour is represented, as the unity of commodities, that they limited themselves only to the discovery that this unity – is labour in abstract form, but did not give a *positive* definition of labour which creates exchange value. That is why Ricardo, Marx points out, also did not understand the essence of money. The founded or unfounded critique of Marx of the classics and in particular of Ricardo in this point we shall see later. Here we are interested in another question.

In *Misère de la philosophie* (1847), Marx himself pointed out that not *every* abstraction – is an *analysis*. By abstraction from all individual individual properties of the body, from its differences in content and form, we get 'logical categories' as 'only substance', he says. '[M]etaphysicians [...] in making these abstractions, think they are making analyses, and [...] the more they detach themselves from things, imagine themselves to be getting all the nearer to the point of penetrating to their core'.¹⁰⁵ And when Marx on the first pages of his *Capital* by means of *such* an abstraction gets a 'clot' of labour, 'as substance of value', then he, of course, does not yet analyse, but only abstracts. But he does not stop there, but immediately passes to actual analysis, on the path of *another* abstraction. Abstracting from individual attributes, he puts forward the general, which characterises the functional

¹⁰⁴Simmel 2004, p. 452.

¹⁰⁵Marx 1976c, p. 163.

connection between phenomena and things. *Such* an abstraction, leading the concrete through an *analysis* from the single to the general, the characteristic of different phenomena, delivers not 'empty', 'subtle', general concepts, but complex concepts in their simplicity. Such 'a reasonable abstraction in so far as it actually emphasises and defines the common aspects [...], or the common element which is brought to light by comparison, is itself multiply divided and diverges into different determinations'.¹⁰⁶ Following Hegel's logic, Marx, thus, long before [Hermann] Lotze and Cassirer, clearly indicated that such an abstraction from diversity makes it possible to understand unity in plurality, diversity. The more complex the situation, the more the phenomena cover our world, all the more complicated in their simplicity are the by us worked out general concepts. '[T]he most general abstractions arise on the whole only with the most profuse concrete development, when one [phenomenon] is seen to be common to many, common to all'.¹⁰⁷ Such method also led him to a *positive* definition of abstract labour; to what extent it was exhaustive, – is another question, on which we respond later.

Simmel, of course, is right when he indicates that it is impossible to measure labour as creator of value through weighing expended energy, as in physics, but he is mistaken if he thinks that the scientific theory of labour value ever was going to do this. The projects of various economists to introduce among us 'labour-energy units', '*ened*' and so on, of course, cannot be taken seriously.¹⁰⁸ The assessment of economic labour – is different.¹⁰⁹ As a philosopher, Simmel knows that quality passes into quantity and vice versa, and

¹⁰⁶Marx 1986, p. 23.

¹⁰⁷Marx 1986, p. 41.

¹⁰⁸['*Ened*' is a Russian abbreviation for 'labour-energy unit', employed for example by S. Klepikov 1921 Опыт построения системы хозяйственных измерителей в промышленности, Народное хозяйство, 1921, 3: 36-45]

¹⁰⁹In two letters to Marx in December 1882, Engels touches the question: how a person, who receives a certain amount of energy in food, can in his work leave behind more, especially if you take into account that an appreciable part of the calories absorbed by him disappears in the body, but then during the transformation also into new forms of energy. After a number of insecure arguments Engels comes to the conclusion that only in the rural economy there is an accumulation of energy thanks to work. From *this* point of view, let us note, the Physiocrats would be right to believe that surplus value is created only in agriculture. We, however, leave aside here the natural-scientific arguments of Engels, we remark only that he does not point to the enormous importance of oxygen that man absorbs in his labour. New research (the English physiologist [Leonard] Hill) showed that an adult man under intensive work absorbs about 4 liters of oxygen in a minute; intensive work is expressed in increased breathing, increased blood circulation, which requires enhanced oxygen uptake. The work of man is enormous, it is expressed in parts of horsepower: under intensive strain, for example rowing, a person can absorb 7 liters of oxygen and develop work of 2263.1 watts in one minute (that is half of a horse-power – 75 watts per second [this seems a mistake by Finn as horsepower is 745 watts]). 'During creative work thought is spent the whole body: separate organs sacrifice their special desires in the interests of the brain, the whole person works' (see Atzler 1928). The role of oxygen in work has been clarified, and not completely at that, only by modern *biochemistry*.

What interests us here, and in which Engels is absolutely right, – is that *physical* and *economic* human labour is not the same, that 'the energy value conforming to the production costs of a hammer, a screw, a sewing needle, is an impossible quantity', and that 'to express economic conditions in terms of physical measures is, in my view, a sheer impossibility' (Engels 1992, p. 411).

therefore does not blame the labour theory that it reduces skilled to simple labour. But what simple labour is, the creator of value, he too did not understand, imagining that it was only muscle. He in this case shares the fate of so many critics of this theory – let us remember among us Sergei Witte, – who assure that, according to Marx, only physical labour – is the creator of value. The statement of Smith and Ricardo, that *all* labour, simple labour – is the creator of value, in them was not at all based on the point that all people are equal, like Simmel fantasises this. All people – are people. This is certain. But it is also certain that some are stronger by nature, others weaker, some smarter, others dumber. And the theory of the classics did not at all say that labour of all people is the same in its value; under the similarity of labour they understood the absence in the formation of value of a difference between different types of labour; the labour of manufacture, agriculture and transport as parts of *aggregate* social labour *equally* create exchange value. In *this* sense in the classics *every* labour – is the creator of value. In view of the inequality of labour of different people in terms of quality – in the sense of intensity, productivity and training – the classics also introduced the concept of necessary labour, of course, socially [necessary labour].

Marx credits himself only for being the first to give a *full analysis of the character* of the labour that creates value. Indeed, already on the page where Marx with a Spinozian *determinatio est negatio* presents the ill-considered negative definition of labour as creator of value in the wake of Hodgskin (*Labour Defended Against the Claims of Capital*, 1825) he indicates a whole series of *positive* attributes of this labour. And as earlier in 1865 in his speech to the English workers *Value, Price and Profit*, he in *Capital* indicates that the different individual works constitute in society, by virtue of the division of labour, parts of a whole – total, aggregate labour; to all of them is inherent that they are human labour and they create value in so far as they represent average labour, done by the average labour power in this society, wherewith this labour is simple, ordinary labour of the unskilled labour power. The various works, included in commodities, should be reduced to *such* labour, in order to be *quantitatively* comparable according to labour time, as the reduction of them to such simple labour makes them similar. The labour time, measuring them, must be *socially necessary in the sense*, that it corresponds to the currently in society existing average normal conditions of production of *this* commodity, the general average degree of agility and intensity of labour expended on it. The concept of socially necessary labour was not discovered Marx, nor by Ricardo, like Engels says in *Anti-Dühring*. 'Socially-necessary

labour time' was already put forward in the first half of the eighteenth century by an anonymous classic, which Marx himself indicates.¹¹⁰

Let us return again to Simmel. 'One could counter it [the theory of labour value], – he says, – that it rests upon the typical illusion that original labour and fundamental labour as such exist, and exist primarily, to a certain extent as second-order determinations, and its specific qualities enter into it in order to make them determine it [...] It is just as if a man was straightaway man as such and then, in real distinction from this, was straightaway the determinate individual!'¹¹¹ In other words, according to Simmel, one gets the impression that the general, the abstract precedes in this theory the individual, the concrete. However it is beyond doubt that both the classics and Marx proceeded from real labour, as primary, so much so that Mr [Othmar] Spann even calls Marx an 'individualist', an 'atomist'. In his *positive* definition Marx clearly says that the 'real', that is *concrete* works, are reduced in the formation of value to 'its general character of human labour'. Yes, this also only corresponds to his world view. The philosopher Simmel himself comes in a hopeless position with his value as a relation, as a function of exchange alone, with his money as symbol. In him it really turns out, that something general, the abstract precedes the reality, the concrete, and he tries in vain to get out of the 'idealistic' impasse of various

¹¹⁰Marx 1976a, p. 129 [*Some Thoughts on the Interest of Money in General*, 1738, now attributed to William Pulteney (reprinted Groenewegen 1982)]. In view of the double meaning invested by Marx in the term socially-necessary labour time, – the concept of *necessary* labour time, as paid wages, we leave aside, – which is often incorrectly interpreted, we note: socially necessary labour time is the average time for the production of a given product in a given country on a given stage of development of the social productive force of labour. If this force progresses, then also this labour time decreases. Under a given quantity of produced products this socially necessary labour time, and with it also the market value, is determined by the predominant, according to the conditions of production in a given sector, enterprises, that is operating in the best, worst or average conditions. But commodity production – is spontaneous, the supply of products may not correspond to demand, then it turns out, that society spent more or less time on production of this product than it needs, although the time required for the production of this product has not changed. The market price of each example of a product will rise or fall then in price in comparison with the market value or the price of production. So, if the costs of production of a given product changes, then the value changes, and together with it the price, that is, the socially-necessary labour time in the first sense changes; if the equilibrium between the quantity of the produced product and the demand for it is disturbed, then the price changes under remaining unchanged value, that is the socially-necessary labour time in the second sense changes. In this manner the relation of price to value, which shows the relation of socially necessary labour time in the second sense to the socially-necessary labour time in the first sense – is separate, the producer learns, whether he produced too much or little of this product; in this manner an equilibrium is established by the law of competition in the distribution of the labour time existing in society between different branches of production corresponding to the demand for various products. This – is the process, of course, in an ideal cut, in reality everything is not so simple and smooth. But it may happen that, in spite of the predominance in a given branch of the labour operating under better conditions, the magnitude of value, corresponding with the price of production, will be determined by the labour invested in the worst conditions. And this is due to the establishment by one or other reasons, for a more or less, period of inadequate production in this industry. In this case, social use value, demand, directly affects socially-necessary labour time in the first sense. But in that case, of course, one cannot say that social utility creates value: it affects only the change of its magnitude.

¹¹¹Simmel 2004, p. 452.

philosophers, on whom we here cannot, however, dwell for a long time.¹¹² Let us only note that it is one thing to consider the general concept [to be] the product of thought, which by this method makes reality clear to oneself, and quite another – [to consider it to be] the creator of reality itself, to which Simmel moves, appealing also to Plato.

What does Marx say about abstract labour? – That concrete works have something in common; this common, however, is inseparable from the concrete, it is therefore real. This common is abstract only in the sense, that for its identification a number of particular attributes are abstracted from, and what is highlighted is the common of things, the characteristic attributes for all articles of the given kind, that again exists, in reality. We highlight the *functions* characteristic of things, common to these things, defining their connection, and these functions are real, but we must not for a moment forget that these functions do not exist *independently* of the material. If we apply this to money, then although our consciousness of the value of money with its development is connected with its functions, the value of money, contrary to Simmel, does not depend on its functions. The functions of money are real, they carry a general social character, but nevertheless they do not create value, as Simmel thinks and many before and after him, starting with John Law, but are only manifestations of it. Functions – are the use value of money, but not the source of its value, which – is commodity, material origin.

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Marx, as we noted above, reproaches the classics for the fact that although they gave an analysis of value and the magnitude of value and discovered the hidden content in it – labour, they did not show why this content takes the form of *value*. Marx believes that the expenditure of labour and labour time as a measure of it, could achieve the expression of value and magnitude of value only in the commodity world, where exchange is the connecting social link between individual, private producers. For him in the natural world, producing not for exchange, there is no place for value, and there is only use value, being a natural property of products.

The view that we defend is that in the pre-commodity world along with use value there exists labour value, that the expenditure of labour in general – *content* – then too achieves expression in *value*, and labour time – the measure of labour expenditure – in the *magnitude* of value. Concrete labour then too is evaluated [or assessed] in two ways, but in

¹¹²See Simmel 2004, p. .

a certain quantity of *a given* product, firstly, from the side of its result, the in it created use value, and, secondly, from the side of its expenditure, the in it created value.

Yet the classics (Turgot and Smith) did explain why labour expenditure in the commodity world is expressed in relative value. Smith points out that primitive man does not measure the expenditure of labour in his products directly by labour time, because the measurement of the quantity of the tangible object-commodity that he wants to have, is more natural, more obvious to him, than operation with the abstract concept of labour.¹¹³

Marx too points out that people at first are interested more in how much they can get of other people's products, than in how much labour they have expended. Man looked more through the eye of a consumer. Once it is established over a long time, how much for one thing is given of another, then this seems to be a property of things, and not an evaluation by people. The same is reflected in consciousness and change of the magnitude of value independently of people. This evaluation is by people, both Galiani and Turgot understood this; the question is how people evaluate: subjectively or objectively, whether it is according to use value or labour value, or both.

Smith and Ricardo correctly explained the expression of labour in value, deducing it from the *relation* of social man to *expended labour by him and other workers*, and not from the relation of people in exchange. Smith and Ricardo, finally, understood that abstract labour which creates value has its characteristics of 'similarity', social necessity and of 'community' of individual labour with others. One need only read the chapter 'Value and Riches' in Ricardo in order to see that the social viewpoint, contrary to Kautsky, splashes from every line.

Marx, however, is right in relation to the classics in the point that they have *insufficiently* analysed the *relative* form of value. Showing that its content – is labour, they still did not show why this content manifests itself in commodity exchange not directly in labour time, but necessarily in a foreign product, relatively. The merit of Marx is that he showed that only in this way individual labour can manifest in exchange its social character, its communality with the labours of other individuals. In a society where the means of production are of a private nature, where production is not directly common, where the labour of an individual in society is not directly common, where exchange is the link between individual producers, there the expenditure of labour is expressed in the form of *exchange* value. Thus he could show how exchange trade, expanding, requires the allocation of a *single commodity*, which would also in the commodity world *directly*

¹¹³Smith 1909, pp. 43–6 [pages of 1801 edition].

represent the general labour; how all other commodities by the exchange for this product are able to exchange with each other; how every individual labour by exchange for this materialised general labour can express its own social character, and the value, produced by it, can become *general* exchange value. This the classics did not clarify, although they knew that money represents embodied labour.

But, giving a full analysis of *relative* value, Marx, in turn, fell into the extreme, in that he regards the concept of value mainly through the prism of the relative form of exchange value. In him it turns out that 'only the equivalent expression of various commodities explicitly brings out the positive nature of the labour objectified in the values of commodities [*die im Warenwert vergegenständlichte Arbeit*], that is the reduction of all kinds of actual labour to their common character of being human labour in general'.¹¹⁴ He would be right if he had said: – 'the labour objectified in the *exchange* values of commodities' [*die im Warentauschwert vergegenständlichte Arbeit*].¹¹⁵

Abstract labour is not labour that exists only in representation, ideally and, as such, constituting [or objectified in] value: it is concrete, real labour, considered only from the side of expenditure of human power, expenditure of labour in general, wherewith this expenditure in the commodity world has a number of characteristic attributes due to which it creates *exchange* value. The special character of labour due which it creates according to Marx value – he does not know here any other besides *commodity*-value – consists of the point is that it is individual, that its own social character manifests itself in a *roundabout* way, through *exchange* with other, individual works; and this it manifests, as abstract labour, labour in general. In the natural world, – says Marx, – the social relation between producers is direct, it is expressed in concrete labour, but not in abstract labour; that is also why no value exists there. This view cannot be accepted. This is not consistent also with what Marx himself says in [other] places.

Abstract labour, in the sense of expenditure of labour in general, exists also in the natural world, therefore value exists there too, but manifests itself not through exchange, but directly. When Marx says that people in all [social] formations were interested in the labour time which they expend on the acquisition of means of life, what else does this mean, than that they were interested in the expenditure of labour in general, abstract labour? In the *Introduction to A Contribution* Marx explicitly recognises that abstract labour is a property also of pre-commodity epochs but that merely in its 'intensity', and in

¹¹⁴Marx 1976a, pp. 159–60 [paraphrased].

¹¹⁵[Finn's exact term was 'constituting', not 'objectified': 'the labour constituting *exchange* value'. We followed the official English translation though.]

its more 'complete internal and external development' it manifests only in the capitalist world.¹¹⁶ The attributes: 'indifference' to types of labour,¹¹⁷ homogeneity, 'commonality [or socialness]' also have place in a primitive concept of abstract labour; in the developed commodity world they cover merely a broader, 'concrete aggregate of [particular] labours'. The difference of *social connection* between producers in expenditure of their labour power gives these expenses a different character and different manifestation. In *this* sense abstract labour has in different epochs also specific attributes. In short, the simple concept of abstract labour, inherent in the undeveloped (in terms of division of labour) natural world, is merely a special case of the more general, –complex in its simplicity, – concept of abstract labour [which is] characteristic of the capitalist world. And 'the general abstract definition of labour is suitable to all epochs'.¹¹⁸ And once this is so, then value is common to all social formations, and only exchange value is a property of the commodity world.¹¹⁹

Analysing the labour, creating value in the commodity world, Marx in *Capital* indicates that the distinctive property of labour, creating the commodity, is that it, individually, possesses the property to produce social utility, products for others. But this, as we have already seen, is not a property only of labour creating commodities: separate private [that is individual] labour in a serf economy too creates products for others. Characteristic, further, for it is that private labour here expresses the social character of the equality of the various kinds of labour 'in the form of the common character, as *values*, possessed by these materially different things, the products of labour'.¹²⁰ So this process is reflected in the brain of its agents.

According to Marx it turns out that only labour creating a *commodity* acquires the character of *value*, and in this way expresses its own social connection. This is not true either. The labour creating the *commodity*, acquires only a special form of value, *exchange* value; a value and a 'common character' has any individual expenditure of labour, purposeful for society also in a *natural* economy. The distinction of commodity-producing

¹¹⁶Marx 1986, p. 40.

¹¹⁷Marx 1986, p. 41. 'The fact that the particular kind of labour is irrelevant corresponds to a form of society in which individuals easily pass from one kind of labour to another, the particular kind of labour being accidental to them and therefore indifferent'.

¹¹⁸Marx [no citation].

¹¹⁹'Once people, in whatever way, work for each other, their work gets a social form', – Marx points out. But this means that expended labour gets a social value, the form of which changes with the character of social production: if in a capitalist world the value is exchange value, then in collective economy it can become distributive value. In the third volume of *Capital* Marx himself admits that 'even after the capitalist mode of production is abolished, though social production remains, the determination of value still prevails in the sense that the regulation of labour-time and the distribution of social labour among various production groups becomes more essential than ever, as well as the keeping of accounts on this' (Marx 1981, p. 991.).

¹²⁰Marx 1976a, p. 166.

labour from labour, producing a natural product, lies only in the point that the former manifests its social connection, its commonality only through exchange, in a roundabout way, the second is common directly, if it produces for others.¹²¹

The fetishism of the commodity world is not explained by the point that labour for the first time in it takes the character of *value*; this last character it has also in the pre-commodity world. In fetishism to blame is the *form* which *value* took in the commodity, – *exchange value*, evolving further into the monetary, [and] capital form... Marx is right in relation to the classics when he says that the social attribute of equality of labour by quality – the reduction of all to simple average labour – further, the attribute of social necessity of this labour, by quantity of necessary labour time, then, that expended labour time is a social magnitude, the total for all, – that these two indications are still insufficient for the characteristic of abstract labour as forming value in *commodity* world. One needs to emphasise also the particularity of this labour, consisting in the point that it, being individual, separate, becomes social thereby that it takes shape, indicating its communality, social connection, – the form of *exchange value*. And insofar as Marx speaks here about *this* value and how *monetary* value develops from it, he is impeccable.

But to these attributes of abstract labour one must, in our opinion, add also the social purposefulness of it, abstract utility, utility in general. Only in this way can the following inconsistency in Marx be eliminated. He says:

'[T]he worker preserves the values of the already consumed means of production or transfers them to the product as portions of its value, not by virtue of his additional labour as such, but by virtue of the particular useful character of that labour, by virtue of its specific productive form'.

'[I]t is by virtue of its general character as expenditure of human labour-power in the abstract that spinning adds new value to the values of the cotton and the spindle; and on the other hand, it is by virtue of its special character as a concrete, useful process that the same labour of spinning both transfers the values of the means of production to the product and preserves them in the product. [...] By the simple addition of a certain quantity of labour, new value is added, and by the

¹²¹We pay so much attention to question on value as a category inherent not merely in the commodity world because of the enormous importance of this problem, which will be clarified also when we cover money and capital. It is quite clear that means of production also in the natural world cease then to be only use values, but are also values, accumulated by labour in general. The view advocated by us throws a full light also on how the capital in merchant and interest-bearing forms, previous to capitalist production, could play such a role in the natural world, that is in social formations where the production of products has its own immediate goal of meeting needs, and not exchange value.

quality of this added labour, the original values of the means of production are preserved in the product'.¹²²

We see, thus, that Marx separates the particular useful character of labour from value, that labour in its quality is a custodian and carrier of value. It will be more consistent to say that both preservation and transfer of value is accomplished by labour creating new value, and this is due to the fact that it is also useful in general, that is that the concept of abstract labour includes the property of utility in general. And it is all the more understandable, since value is preserved and transferred in so far as it corresponds to the value of its reproduction at the moment, and it could change due a change of the socially-necessary time. Is not Marx forced likewise to recognise that this 'gift of nature' of acting labour power, living labour – preserves value, adding to it? The indicated stretch [in the argument] in Marx is easily removable if we assume that this concrete labour as labour in general, socially-necessary, general or partly general, is useful in general; it creates new value and transfers the realised [value], and this same concrete labour in its special particular useful qualities creates a use value.¹²³ The same concrete labour with social-natural properties is socially evaluated from the side of its expenditure in one case, [and] in the other [case] – from the side of the useful result created by it. In the first case it is considered from the aspect of the created by it value, in the second, – from the aspect of use value, personal or productive. In this way becomes understandable also the influence of the quantity of social needs on the *change* of created exchange values. It should be remembered that, according to Marx, '[i]n as much as labour is value-forming and is expressed in the value of commodities, it has nothing to do with the distribution of this value among the different categories'.¹²⁴

¹²²Marx 1976a, pp. 308–9.

¹²³Introducing the attribute of 'utility in general' into the concept of abstract labour, we introduce nothing new, since it is already included in the attribute of 'socially necessary' in the sense, that only useful labour, and not wasteful [labour], forms value. Further it is understood that abstract labour has a general *raison d'être*, only because it is in general a purposeful expenditure of labour. Abstract labour has also the Aristotelian 'utility for exchange'. Finally, the commodity functioning as money, representing general labour, has a *general* utility, without entering into a personal nor productive utility, but serving only as a means of circulation. By introducing the attribute of 'utility in general', we do not confuse the evaluation of labour according to its expenditure in general with its concrete utility for consumption. This utility is also not a source of value, – it is one of the social conditions under which the expenditure of labour constitutes value. Use value, as is known, is not necessarily connected with concrete labour: an object can have use value, without being a product of labour; by contrast, a product of labour can have no value, if it has no use value. And insofar as the product is *invested* with general, abstract labour, it is preserved and transferred together with the use value.

¹²⁴Marx 1981, p. 962.

8. Complex and simple labour

One of the least developed points in the theory of labour value is the question: how the process of measurement of expended labour, so different in its *quality*, happens? At this point the criticism of this theory, and in particular in its Marxian exposition, usually also takes aim. The statement of Engels in *Anti-Dühring* that the process of reduction of complex to simple labour is accomplished on the market spontaneously, but since – it 'at this point, in the development of the theory of value, can only be stated, but as not yet explained',¹²⁵ of course, is not an answer... The objection that labour time cannot serve as a measure of value due to the impossibility with the difference in the quality of labour to compare them quantitatively, was first formulated by Bailey against Ricardo and James Mill. Knies, Böhm-Bawerk, Ammon and others only repeat Bailey.

In Ricardo's *Principles* we read: 'In speaking, however, of labour as being the foundation of all value [...] I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour, in one employment, with the same duration in another. The estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer and the intensity of the labour performed'.¹²⁶ And that is all. Neither Smith nor Ricardo, nor Mill have shown *how* the reduction of complex to simple labour takes place. And Marx in *A Contribution* and in *Capital* postulates only, that such a process takes place. He does not *specially* analyse it either in other places.

Nevertheless, Marx did not leave the problem *entirely* without solution. 'This, – he says in one place, – belongs to the definition of wages, and, in the last analysis, can be reduced to the different values of labour capacity itself, that is, its varying production costs (determined by labour time)'.¹²⁷ The thus intended path by Marx to the resolution of the problem called forth among his students a number of attempts to fill the gap left by him here. This, however, ended in failure. Others (Hilferding, followed by Rubin among us) saw in Marx's intended solution a contradiction: thus labour, which does not have value, is reduced, allegedly, by Marx to a commodity – to labour power! In fact neither have understood what Marx is talking about here.

¹²⁵Engels 1987a, p. 184.

¹²⁶Ricardo 1821, p. 13.

¹²⁷Marx 1989c, p. 350.

In volume one of *Capital* Marx says:

All labour of a higher, or more complicated, character than average labour is expenditure of labour-power of a more costly kind, labour-power whose production has cost more time and labour than unskilled or simple labour-power, and which therefore has a higher value. This power being of higher value, it expresses itself in labour of a higher sort, and *therefore* becomes objectified, during an equal amount of time, in proportionally *higher values*...¹²⁸

In Marx in the edition to which Hilferding refers, we read: not '*daher*' ['therefore'], but '*aber*' ['but']. It also cannot be otherwise, – Hilferding indicates to Bernstein, – in the opposite case this would grossly conflict with the Marxist theory: One cannot 'deduce the value of the product of labor from the wage of labor'.¹²⁹ Of course, one cannot. But Marx also does not do this, although in the last edition of 1921, contrary to Hilferding, there stands '*therefore*', which of course is correct. In fact there is no doubt that complex labour is a manifestation of a higher labour power, and if this labour power – is of a higher value, then it is also manifested in a higher value of products. What remains out of Hilferding's purview is the special character of the commodity labour power, entirely distinct from other commodities. The *use value* – the function – of this commodity, unlike others, not only retains its value in the production process, but creates a new, corresponding in length time of the same labour process. And it is quite natural that if the *relation* is known – and here lies the crux of the matter! – between the value of labour power, that is the wage and the *necessary* time, understanding by the latter the part of the working day during which is paid for this particular commodity, reproducing the wage, if the evaluation of this *necessary* labour is established in relation to the same labour of another labour power, that is of another quality, then thereby is known the *relation of all* expended of this labour to another.¹³⁰

The *relation* of works of different qualities of *necessary* labour corresponds to the *relation* of the wage; knowing the *relation of parts*, we can judge also *about the relation* of a series of numbers to each other. Once the value, created by this labour in the necessary time, is

¹²⁸Marx 1976a, p. 305.

¹²⁹Hilferding 1949, p. 142.

¹³⁰[T]he individual differences cancel each other out in the workshop as a whole, which thus supplies the average product within a given period of labour, and the total wages paid will be the average wage of that particular branch of industry. [T]he proportion between wages and surplus-value remains unaltered, since the mass of surplus labour supplied by each particular worker corresponds with the wage he receives' (Marx 1976a, pp. 696–7).

known, then is known also in addition, its value embedded in the product. Here there is no confusion of the wage with the value of the product. At the same time the statement of Hilferding turns out to be completely incorrect that according to Marx 'neither directly nor indirectly does the wage of a skilled labor power give me information regarding the value which this labor power newly creates'.¹³¹

How does the evaluation of skilled wage labour happen? – It happens either according to time, or according to result, in piece-work. That the latter evaluation, which is only a derivative of the first, takes into account the intensity and quality of labour, compared with such average labour power, will unlikely be denied by anyone. The apologists of the bourgeois system deny that when evaluating labour only the necessary labour is paid. For them, the value of the product of a day's labour is equal to the daily earnings of the worker. But their opinion here is not of interest to us. What is important for us to emphasize is that what the *relations* between the value of labour power [and] the wage are, such are also the *relations of the functions*. Marx, when examining labour in manufacture, indicates that '[s]ince the various functions performed by the collective worker (let us recall: the function is labour itself, and the general worker consists in manufacture of different workers, that is labour forces. – A. F.-E.) can be simple or complex, high or low, the individual labour-powers, his organs, require different degrees of training, and must *therefore possess very different values*'.¹³² And here it reads '*therefore*', and not '*but*', Mr Hilferding.¹³³

Another question, connected to the first, arises before us: what determines the value of complex labour power? – The cost of forming it, the cost of creating such labour power, – responds Marx. This too is haphazardly interpreted by his disciples. Meanwhile, the case is clear: complex human labour power – is [like] a complex machine, but living labour differs from a dead machine in that it not only reproduces its value, transferring value to its produced product, corresponding to the value of reproduction of the wear of its use value, but its function *creates* a new *added* value. In other words: the machine 'transfers' only that what it is worth, and it is paid according to this, and not for its use value; man is also

¹³¹Hilferding 1949, p. 143.

¹³²Marx 1976a, p. 469.

¹³³In one passage Marx deviates from his usual method and tends to treat the value of the product of qualified labor as dependent on the value of the qualified labor power. This is found in *Theories* [Marx 1989c, p. 350]], – Rubin tells us (1973, p. 163). This is wrong. Firstly, Marx in this place speaks not like Rubin expounds him, and, secondly, in Marx here is said the same as in a number of other places of *Capital*. Marx speaks not about 'dependence' of the value of the product on the value of the labour power, as Rubin interprets, but about the *relation* of qualified to simple labour, the corresponding *relation* of the value of qualified labour power to the value of simple [labour power]. And this is not one and the same. When we say that the heaviness of two masses relate to each other, as their weight, then this does not mean that heaviness itself has a weight, and that their different heaviness 'depends' on their weight.

paid not for the use value, delivered by him, but unlike the machine his use value *creates* value: complex use value of labour power *creates* complex *value*. Of course it is untrue that reduction to simple labour signifies reduction to the muscular, it is also naive to think that the evaluation of expended human energy, muscles, nerves, and so on, can be measured in calories. This evaluation is social, in this sense objective. This evaluation, along with the main elements, includes also the accidental: historical traditions, prejudices and imaginary differences. In the United States, for example, washing window panes in skyscrapers (simple labour) is paid as qualified [labour] in view of its danger. On the other hand, as I was told by the head of a big American enterprise producing electric machinery, engineering-technicians, especially working in laboratories, receive pennies in comparison with engineering-commercial directors. Social evaluation, we repeat, does not mean exact [evaluation], which also Smith knew, and even less fair [evaluation]. But to us not this is important to establish here, but the fact that the determination of the relation of different by quality works is given by social experience and is expressed in different wages, in different rates of the *necessary* labour time of labour power. What the *relation* of *necessary* labour time in two works is, such is also the given *surplus* and the *relation of the value of products of labour*.¹³⁴ We, of course, herewith abstract from the difference in the value of the means of production.

On what grounds is it asserted that complex labour is reduced to simple labour, why not the other way around? – asks Knies. – On the basis of facts, – Marx answers to him. The value of the product in each branch is determined by *simple* labour, – by a labour, which does not require a special cost on training, of the average labour power. To *such* average labour is reduced in every enterprise the work of the labour forces with differences in skill and working with a different degree of productivity and intensity. In the comparison of the value of products of branches the *different quality* and *intensity* of expended labour is taken into account, just as in *each* branch between *simple* and *complex* labour. The products of all branches in their value are compared with the value of the product in the branch of production of the money commodity. Knies and his co-thinkers should have paid

¹³⁴In simple commodity production the social-spontaneous evaluation of the *quality* of labour (of independent producers), in terms of skill, is evident by the product. The product of higher, more complex labour is evaluated, albeit roughly, higher than the product of simple labour. This, of course, does not exclude the producer's exploitation by an intermediary or by the direct consumer. Therefore Smith's determination of the exchange value of the commodity as equal to the 'value of labour', which can be purchased for it, is correct, as Marx points out in *Theories* (Marx 1988a, pp. 378–84), insofar as herewith we have in mind the simple exchange of commodities of independent producers, in which not only commodities are exchanged according to the labour invested in them, but a determined quantity of *living* labour is exchanged for the quantity of a commodity, representing a similar quantity of materialised labour.

attention to Marx's note in volume one of *Capital* where a small but very important quotation from the work of an anonymous Malthusian is given. It says: 'Where reference is made to labour as a measure of value, it necessarily implies labour of one *particular* kind ... the *proportion* which the other kinds bear to it being easily ascertained'.¹³⁵

Such labour is also selected by society. 'The values of the most varied commodities are everywhere expressed indistinctly in money, that is to say in a certain amount of gold or silver. In just this way, the different kinds [*genres*] of labour, represented by these values, have been reduced, in different proportions, to determined sums of one and the same kind [*espèce*] of simple labour [*travail ordinaire*], namely the labour that produces gold or silver'.¹³⁶ We still will have occasion to consider this question in the analysis of *international value*. Here we note that in the world capitalist market the value of commodities of given branches of production is the average of their *national* values. Gold – the money commodity – has the same value everywhere; it is by its essence – a *world* commodity and enters all national spheres with its *world* value.

To illustrate the different evaluations of labour power of different quality and to a lesser extent – the differences of national values, which are reflected in wages, let us present the table which Hoover showcased in the presidential elections as proof of the welfare of workers in the United States.¹³⁷ It is far, and very, from perfection. In it, of course, not all the conditions are taken into account, necessary for a comparison of real wages in different countries, but it is nevertheless noteworthy. 'To compare ours with foreign wages we must find a common denominator, because translation of foreign currencies means but little', – Hoover told his listeners. 'If we say that 5 percent of butter and 95 percent of flour form the basis of that useful mixture called "bread and butter", then the weekly earnings in each country would buy at retail in those countries the following total of this useful compound'. Leaving entirely to the responsibility of the American statisticians how this denominator was selected, and the probable mistakes in applying it in different countries, we will follow Hoover's invitation and 'note these figures carefully':

Weekly wages if applied to the purchase of composite pounds of bread and butter
(Each pound 95 percent wheat flour and 5 percent butter)

¹³⁵Cazenove, J. 1832, *Outlines of Political Economy*, London, quoted in Marx 1976a, p. 306.

¹³⁶[Passage in the French edition of *Capital* (concluding lines of chapter seven).]

¹³⁷*The New York Times*, 18 September 1928. The full text of Hoover's Newark speech.

Even if we take into account the difference of engaged hours, the difference of intensity of labour in various sectors, then still the simple labour of the average labour force is not sufficiently evaluated in different branches, although the deviations are small. German statistics give us the following *general* data, showing the relation of the wage of the average untrained workers to the trained: in the course of the three years 1926–28 the hourly pay of a trained worker increased from an average of 91, 9 to 107.5 pound, and untrained [worker] from 63.6 to 80.4 pound. All works are compared everywhere with the simple average, socially-necessary labour in the gold industry, wherewith for its selection as measure, of course, it is unimportant whether this work is higher or lower in its quality [than the] simple average work in other sectors. The latter, however, is unlikely to take place, if one takes into account that in South Africa, which sets the tone for this *world* industry, as untrained workers, comprising here more than 90 percent of the total number employed in it, migrant black people are used. It should, however, be borne in mind that when the measure of value is also labour, when the commodity also measures its value in gold, corresponding to the labour time included in each of them, then in practice, as Marx points out, the matter is not so straightforward also in simple commodity circulation, all the more so in capitalist [circulation]. Gold manifests its value, which is determined by the costs of its production, including in the latter also surplus value, through commodity prices... But about this – in our further studies.¹³⁸

¹³⁸[See also Finn-Enotaevsky's essay translated in *Furious Gold*, 2025 (Gaido, Rodman).]

Value and money [Essay Two]

1. The subjective school and Marx

In the previous essay the inconsistencies or disagreements which we disclosed in the determination of the relation between use and exchange value among the followers of the theory of labour value were easily removed, and the theory from this only gains. It is otherwise with the theories, which consider use value the *source* of value, and hence also of exchange value. Here the error is fundamental, and all attempts until now suffered fiasco.

As we have already indicated, value and use value are two different evaluations by people of one and the same product of labour. If classical economy speaks about use value and value as about properties of things independent of people, then this is according to the same principle in which physics considers light or sound objectively, disregarding the feelings of the subject. Objectivity in classical economy does not at all exclude participation of the individual in evaluation of the commodity: people act in production and exchange according to their desires, interests, goals and motives, but they act in given conditions and as members of a *mass* whole. This is well understood also by the philosopher Simmel. What then do the subjectivists tell us?

In his 'epoch-making' book Menger made the 'discovery' that value 'is entirely subjective in nature':

It is a judgment economizing men make about the importance of the goods at their disposal for the maintenance of their lives and well-being. Hence value does not exist outside the consciousness of men. [...] Objectification of the value of goods [...] has [...] contributed very greatly to confusion about the basic principles of our science.¹³⁹

It is true however, that if a certain confusion existed also in the theory of value, then Messrs subjectivists have even further increased it.

What do the words mean: 'value is entirely subjective in nature'? Is it that the evaluation of things is given by people? But then subjective is all our representation about the world, and nevertheless it is unlikely whether anybody will come to dispute its objective existence. A

¹³⁹Menger 1950, pp. , 121.

long time before Menger Turgot and – even earlier – Galiani said that 'the common measure of all values is man'.¹⁴⁰ But the progress of theoretical economy also consisted of the point that social man was put in place of a fantastic Robinsonade. The concept of exchange value assumes already society in determined conditions. It – is a derivation from concrete existence. Or do Menger and his school think that this concept could come *independently* of certain properties, natural and social, of the commodity, expressing relations of people to each other and to nature in the production and exchange of these commodities? And if the case is otherwise, then is it not more correct to consider this external world, the given society [to be] the *subject*, and the object [to be] man himself, and the category value is one of the 'categories [which] express forms of being, determinations of existence – and sometimes only individual aspects – of this particular [that is modern bourgeois] society'.¹⁴¹ With his definition that the source of value is subjective use value, Menger shows that he looked at the *social* economic world through the eyes of a philistine consumer...

The hobby-horse of subjectivists, their position that every social production has as its goal the satisfaction of human needs – is a truism. The question is: *how* are these needs satisfied?

Economists who view the phenomenon superficially do not see the contradictions in modern society between production and consumption, the antagonistic distribution of products, depending on the conditions of production and exchange, they do not see the contradiction between use and exchange value, commodities and money, purchase and sale. They abstract from the existing split of these moments and see only their unity, they interpret contemporary economy as if production was conducted in it as a planned society, according to actual needs and the level of actual utility of a product. The behaviour of the consumer depends not only on the utility of things 'for the subject', but on the *social* conditions in which he lives. However, of this the subjectivist gentlemen also do not want to know anything. At the heart of the economy lies consumption, they repeat, and the economic agent should be approached as a consumer. Schumpeter likewise says that the consumer – is the real conductor of production, who also determines the value...¹⁴² And

¹⁴⁰Quoted in Turgot 1973, p. 89.

¹⁴¹Marx 1986, p. 42.

¹⁴²"The primary fact with which the theory of marginal utility is concerned and in which its fundamental achievement consists and on which everything else is based, is the proof that in spite of appearances to the contrary the factor of wants and as a result from this the utility character of commodities determine all individual occurrences in the economy' (This in the capitalist system – A. F.-E.). The importance of the conception of marginal utility, Schumpeter continues, lies not only in the point that 'all facts relating to the determination of prices could be explained with the help of the basic principle'. 'There never had been any

since for personal utility in all social formations, whether natural or commodity-capitalist, value and use value in a *given* product are inseparable – he compares the utility for him of a thing with the value of its acquisition, and since he buys for personal utility, then whence also the philistine conclusion, introduced into theoretical principle, that use value determines exchange value.

Knies, who with his *general* use value claimed to have solved the problem of value, did not observe the tiny point, that the use value of an object by itself does not yet transform it into a commodity with exchange value. And his theory, like also the theory of marginal utility, does not eliminate a hair of the fundamental phenomenon indicated by Smith, Ricardo, Sismondi, Rodbertus and Marx, that between the degree of the use value of a commodity and the height of its exchange value there is no proportion. It is known, that one and the same quantity of one commodity can be exchanged for various quantities of other commodities. One and the same quantity of one commodity – let us say gold – can be exchanged for various quantities of a whole number of these commodities – bread, tea, cotton – and this at the same time as their use value does not change. An equal improvement in the production of cloth and stockings, indicates Ricardo, does not change their quantitative exchange relation, although they both fall in value; this will only appear in the point that in exchange for the former quantity of gold or other products, they will have to be given more than before. But it is only necessary to improve to the same extent the production of gold and other products, and the former quantitative relation will be recovered, but the value of all of them will be less.¹⁴³ What follows from all of this? The fact that use value cannot be the *source* of exchange value. This is also understandable: they, as we have seen, are separate evaluations of one and the same thing.

The absence of a proportion between the utility and value of things in the end could also not escape the attention of the theorists of 'utility'. Subjectivists, psychologists then opened

doubt' that those facts on which the 'demand side' of the problem of price is based could be explained with its help (this demand in the capitalist world is determined only by the principle of utility! – A. E.-F.), [... b]ut it was only the theory of marginal utility which based the 'supply side' of the problem on it and conceived costs as phenomena of value' (Think, after the classics, what a discovery, that costs of production boil down to value! A. E.-F.). 'In this respect the decisive achievement – mostly overlooked by the critics – lay in the proof that the estimation of commodities according to their costs, which is so predominant in economic life, is merely an expedient abbreviation of the real correlation, that this correlation is explained with the help of the element of value in use, that the calculations of the entrepreneur are merely the reflection (*Widerschein*) of valuations on the part of the consumers, and that in cases in which somebody estimates a commodity according to the value in use of commodities which he can obtain for it in the market – subjective exchange value – the 'exchangeability' and with it the subjective exchange value is based on alternative estimates of the value in use. This led to a uniform explanation of all occurrences in the exchange economy with the help of one single principle and in particular also to a classification of the relation between costs and prices' (Schumpeter 1954, pp. 193–4).

¹⁴³See Ricardo 1821, pp. 325–6.

the door, – and at once in three countries,¹⁴⁴ – in marginal utility. But due to this they only fell in a new impasse, or in a vicious circle. Now the position became common place in literature that their marginal utility itself depends on prices, that is on exchange value, which they want to explain by it. So, Marshall in his time showed the error of the claim of Jevons that 'value depends entirely upon utility', that the phrase: 'final degree of utility', with which Jevons replaced the commonly used before: 'price which consumers are only just willing to pay', – and which he, Marshall, calls 'marginal demand price', – has not brought us 'nearer the foundations of exchange value': the exchange value of the commodity on the market is one, whereas the marginal utility, to which it corresponds – are many.¹⁴⁵

Perhaps Jevons' antagonism to Ricardo and Mill would have been less if he had not himself fallen into the habit of speaking of relations which really exist only between demand price and value as though they held between utility and value; and if he had emphasized as Cournot had done, and as the use of mathematical forms might have been expected to lead him to do, that fundamental symmetry of the general relations in which demand and supply stand to value, which coexists with striking differences in the details of those relations.¹⁴⁶

There exists the view that while the theory of marginal utility is bad as a theory of value, it is not bad as a theory of prices. Alas, this too is more than exaggerated. In his work *Die Stand der reinen Theorie* Alfred Amonn¹⁴⁷ in his review of the school of marginal utility 'starts for health',¹⁴⁸ putting forward its 'monism', in contrast to the 'dualism' of the classics: there was found, allegedly, its principle, which rules over the formation of value in all forms and which explains all phenomena of value and price... However, very soon he passes on to the 'rest' of this school. The monism turns out to be formal: psychologists themselves relate critically to the psychological nature of the concepts of the theorists of

¹⁴⁴One can say that even *four* of countries have the right to this discovery if we consider alongside the French Walras, the English Jevons and the German Menger, still the American John Clark, as this is seen by Irving Fisher.

¹⁴⁵'If we say, that value should be measured by the enjoyments which the exchange of the commodity can procure for its owner, we are still as much at a loss as ever to estimate value, because two persons may derive very different degrees of enjoyment from the possession of the same commodity' (Ricardo 1819, p. 17). It is evident that there must be some common measure, for all. This also is labour. Already Hume said that '[e]verything in the world is purchased by labour' (Hume [no reference]).

¹⁴⁶Marshall 1898, pp. 566–9.

¹⁴⁷Amonn 1925.

¹⁴⁸[Russian proverb: Starting for health, but ending for repose.]

marginal utility; the question about the change of the quantity and the quality of utility remains open... According to the teaching of the Austrian branch of this school – Menger, Wieser and Böhm-Bawerk – price is determined by the last consumer in exchange, but this consumer with his evaluation depends himself on the price. The question of money stands even worse among them: the evaluation of the latter is not immediate, but depends on the value of goods to be purchased, yet the marginal utility of these goods presupposes already the existence of determined prices.

Wicksell's attempt to mathematically derive prices directly from the subjective evaluations of utility was doomed in advance to failure, because between these phenomena there cannot be set a quantitative relation. The Austrian school squeezed between utility and prices an exchange value that can be measured quantitatively. But then, Amonn asks, why is the theory of marginal utility necessary? And he answers: 'For the explanation of prices very little, of importance to is exchange value'...¹⁴⁹

Ammon's mistake here is that he considers important for the theory of prices, for the explanation of the formation of prices, exchange value as given, but is not interested whence the latter came. Meanwhile it is impossible to understand the transformation of exchange value into price without knowing the source of the first. The trouble with the Austrian school is that by introducing exchange value, that is an objective link between the subjective utility and price, it could not derive this exchange value from utility. Yes, without exchange value one cannot do, but marginal utility, whether individual or social, as Wieser has it, does not explain it!

Not better either is Cassel's relation to the theory of marginal utility: it is negative, and not only to it as a theory of value but also as a theory of price. 'When the subjective school began to assert that utility is the real and ultimate cause of exchange value, it lost all connection with reality and logic' – says Cassel. It is not true that in every industry marginal utility corresponds to price; [and] where it does correspond, it is itself determined by price. 'The claim of the subjective school, that it built on its concept of marginal utility a complete theory of prices, should be rejected.'¹⁵⁰ Piquant is the circumstance that Cassel's own theory of 'shortage' (*Knappheit*) – insofar as it is not the old theory of supply and demand – itself is nothing but a variation of the theory marginal utility of Walras, in whom *rareté* and *utilité finale* are identical. This was pointed out by Wicksell in his critique of Cassel's book *The Theory of Social Economy*.¹⁵¹

¹⁴⁹Amonn 1925, pp. 279–88 and following.

¹⁵⁰Cassel 1928, p. 36.

¹⁵¹Wicksell 1967, p. 221.

Let us further note that also Böhm-Bawerk's attempts to explain the costs of production [as] 'the primary foundation of value' – [which influences] marginal utility, likewise ended lamentably. The 'height of marginal utility' [*Höhe des grenznutzes*] was no longer the ultimate 'cause' [*ursachlose Thatsache*], but a 'link', depending on demand and supply, whose height, in turn, depends on the costs of production, as he himself recognised. But then why speak about marginal utility as an 'outstanding link' [*ausgezeichnetes Mittelglied*], 'focal point', in which 'as in a last turn are reflected numerous still deeper underlying causes', when the cause turns out to depend on the effect: the costs of production, that is value. 'One and the same phenomenon, – Böhm-Bawerk himself pointed out against Dietzel in this same work, – [cannot] at the same time precede another as a cause and follow it as a consequence'.¹⁵²

Mises already long tries to save the situation.¹⁵³ 'Classical economics, – he writes in his latest work, – starts from the action of the businessman', whereas modern economics [that is the 'theory of utility, i.e., of subjective use value'] proceeds from the 'subjective evaluations' of consumers. The 'error' of classical economists came from their starting point in the 'action of the whole of mankind', [but] nevertheless the subjectivists transferred into individualist theory the law of 'diminishing marginal utility of the unit in an increasing supply', wherewith this 'law was mistakenly regarded as the chief and basic law of the new theory' ... Therefore the writings of Menger, Böhm-Bawerk and their admirers need to be cleansed from 'propositions and concepts carried over from the objective theory of value'...

How Mises cleanses the subjective school from sins, one can see from the following. Everyone who understands what the worth is of one or another theory of value, knows how important is its proposed way of measuring value, because measurability is the characteristic trait of value. Mr Mises is of a different opinion. Böhm-Bawerk, – he says, – was mistaken in seeking to measure subjective value; Irving Fischer in vain 'attempted to approach the problem of value-measurement by way of mathematics: subjective [use-]value is not susceptible of any kind of measurement'.¹⁵⁴ And 'Schumpeter makes the

¹⁵²Böhm-Bawerk 1892, pp. 344, 352–4, 359 and following.

¹⁵³Mises 1960, pp. 177–80.

¹⁵⁴Marginal utility assumes of course a quantitative measure, but all the tables of the subjectivists illustrate only different degrees of utility, different things, not giving therewith these degrees, defining utility also as a quantity. The attempt to find this measure does not stop, however, among economist-mathematicians. So Fisher in his brochure *A Statistical Method for Measuring Marginal Utility* (1927) tries to solve the task on the basis indicated by Jevons, who, however, hesitated that 'men will ever have the means for measuring directly the feeling of the human heart', and said; that '[w]e can seldom or never affirm that one pleasure is an exact multiple of another', but nevertheless believed that 'it is from the quantitative effects of the feelings that we must estimate their comparative amounts'. So Fisher thinks it is possible to measure human

mistake of starting from the assumption that we need a measure of value in order to be able to compare one "quantity of value" with another'¹⁵⁵... Mises, the gravedigger of the subjective school!

Theorists of marginal utility are usually credited for drawing attention 'to the utility aspect of the theory of value, which in the classics was ignored'.¹⁵⁶ If one can agree with the point that Messrs subjectivists gave much, a little too much attention to use value, then all the same one will have to recognise that very little [result] came out of this among them. From the other side, the work of Marx, especially seen in the light after his death, shows, that precisely the classics took a real step ahead in the theory of value also on the utility aspect. Marx must, without doubt, be reckoned among the latter because both in the theory of labour value and in the theory of economic development of society, which underlies the development of the productive forces of labour, Marx is the direct successor of this school. Contrary to the statements of some commentators and popularisers of Marx, that he delegates use value to the field of commodity economics [*Warenkunde*], in fact the very first chapter of *A Contribution* give an analysis of the economic relation of use and exchange value, and the whole of his *Capital* explores the main laws of the movement of the commodity world in terms of development and complication of the contradictions in the *single* process of production and exchange of use and exchange value. Marx points out that only the world market develops the fullness of value by the fact that social labour, the source of value, is represented by an ever-increasing series of use values.¹⁵⁷ 'On the *market* the use value of a commodity means simply that it satisfies a social need'.¹⁵⁸ – Here, as we see, the existence of use value in Marx is not only 'the natural existence of things' – Marx repeatedly points out that use value remains a condition for the implementation of the law of value both in the commodity world and in developed capitalist society, which also is a

emotions, knowing the various prices and the budget of a typical family. But let us suppose that in this way he will measure the 'feelings' of a typical bourgeois family, does this show that these feelings are the ultimate cause, source of prices, and hence also of value? Do these feelings themselves not depend on prices and income, and hence on the conditions of production and exchange of value?

¹⁵⁵ Mises 1953, pp. 38 and following.

¹⁵⁶ Marshall 1898 [no reference].

¹⁵⁷ ['But it is foreign trade which develops its (the surplus value's) real nature as value by developing the labour embodied in it as social labour which manifests itself in an unlimited range of different use-values, and this in fact gives meaning to abstract wealth' (Marx 1989c, pp. 387–8).]

¹⁵⁸ [Finn gives no exact reference, but something close to it reads: 'It was one precondition for the sale that the commodity should have use-value, and thus satisfy a social need' (Marx 1981, p. 283).] Use value – the utility of a commodity in consumption [*potreblenii*] – and the need [or demand: *potrebnost'*] for it, are not one and the same thing, but in the *market* this is always a need for the use value of commodities, which, of course, does not yet mean that social need on the market – the amount of paying demand – is determined by the actual utility of things. The classics knew this well. On the other hand, socialists have long indicated that in the capitalist world 'minimum prices set the maximum consumption' of commodities, but not the 'absolute' utility of them.

social, albeit antagonistic, system, which has as its goal the satisfaction of social needs. This we constantly stressed in our writings on markets and crises against Tugan-Baranovsky and others.¹⁵⁹

In a single commodity use-value is a prerequisite of exchange value. In *mass* commodity production and exchange, where the law of value also is fully manifested, social use value, society's need is *quantitatively measurable*. Use value shows its force in the fact that it represents a quantitatively determined social need for a given product, and these quantitatively determined social needs for various products require that labour and capital be distributed respectively according to the various branches. 'The social need, i.e. the use-value on the social scale, here appears decisive for the quota of total social labour-time that falls to the share of the various particular spheres of production. [...] This [...] is simply a further developed expression of the law of value in general; even though necessary labour-time takes on a different meaning here. Only such-and-such a quantity of this is required in order to satisfy the social need. The limit in this case emerges through the *use-value*'.¹⁶⁰

On the market an individual acts as an 'atom of the mass'. Here the seller of commodities offers a use value and looks for realisation of the exchange value included in his commodity, [and] the buyer is interested in the use value of this commodity in its determined quantity and offers for it an exchange value – money. The demand of the buyer does not necessarily correspond to the offer of the seller. Let us take a trade with *fixed* prices.¹⁶¹ Commodities come on the market with a determined price, just as services do: trams, railways, theatres, bathing houses. The seller determines the price, the buyer determines their *quantity*. In developed capitalist economy the *quantity* of commodities

¹⁵⁹[For example Finn-Enotaevisky 1911.]

¹⁶⁰Marx 1981, p. 774–5.

¹⁶¹This does not mean that in modern world economy the oscillation of prices, in particular of raw materials and agricultural products, does not remain the *fundamental* indicator of the relation of demand and supply on the world market of one or other commodity... Fixing of prices, of course, is not arbitrary. Market capacity and price height act on one and other. The height of the profit rate, not to speak of its mass, is not at all always determined by the price height. With the development of commodity circulation the price of a separate commodity ever more is connected with the set of prices of other commodities. With the establishment of one or other price there are used, of course, also statistics and are considers possible conditions of realisation, and insofar it is s based on the laws of trust/belief, but in the final light price is determined by the law of necessity: it is connected with value, it is the result of mass movement, the well-known equilibrium in a dynamic process. About the movement of prices we will speak still several time. Let us for now remark, that price, of course, is not the same as value, the first – is the expression of the second, in its deviation from value facilitates the realisation of the latter. It is known that a series of things have a price, which are not products of labour and have therefore no value. Further, it is known, that there exists things, as, for example, art objects, which are products of labour and nevertheless have prices depending on accidental grounds, and this because they can not be reproduced freely. It is known, finally, that in the commodity world a thing can acquire value, if it is monopolised and sold. All this, of course, was well known to Smith, Ricardo and Marx. Nevertheless their critics commonly bring up these phenomena and, not understanding the connection of these produced prices with the values of products of labour in the commodity world, scream about the artificial 'monism' of the classics.

sold at these prices is the most important indicator for their *mass* production. Does value influence demand, paying demand? Undoubtedly. The lower the value, expressed in price, the stronger the demand, especially in a society where the majority of the population is limited in its purchasing means. This is taken into account by manufacturers and sellers; in the appointment of a price they take into account the possible competition of manufacturers of the same product; and monopolists consider the optimal price. The quantity of demand indicates not only how much needs to be produced at given prices, but also what the prices should be in order to raise demand. The more capitalist economy develops, the more correct is the position that the height of the price is decided by manufacturers-sellers, considering the prices of production, modified values. The consumer-buyer decides relatively on the quantity of use values. We, of course, leave here aside the question that neither price regulation nor regulation of supply by individual enterprises, at least giant trusts, eliminates in the capitalist world the moment when the equilibrium between supply and demand can be restored only forcibly, through crisis. Then prices tumble down, against the will of producers, warehouses burst from use values, and the consumer is inactive, despite the fact that his actual needs not only did not decrease, but also increased. To save the prices one then resorts to a reduction of production ...

These short remarks on the relation of production and consumption in the modern economy show that there can also be no talk about the marginal utility of things for an individual consumer being the source of exchange value; neither is *social* need the *source* of value in the commodity. Use and exchange value are different from each other; moreover, they are contradictory, but for all that contradiction they are nevertheless united in the commodity. Contrary to the view widespread among Marxists that between use and exchange value there is no bridge, that one side is nature and on the other society, on one side technology, and on the other economy, Marx repeatedly in *Capital*, and in *Theories* indicates that '*use value* as such acquires economic significance',¹⁶² how '*important* is the analysis (*Bestimmung*) of *use value for the determination of economic phenomena*'.¹⁶³

¹⁶²Marx 1989c, p. 386. Emphasis by Marx.

¹⁶³Marx 1989c, p. 120. Emphasis by Marx [*ökonomischen formbestimmungen*].

2. The monetary form of value

We will consider the different functions and forms of money in a special chapter. Here we show the logical-deductive path of the emergence of the simple form of money from commodity, exchange, value and say a few words about the historical genesis of money. The characteristic property of the money commodity – its exclusive feasibility, its ability to directly exchange for all commodities – was discovered not by Menger, although he is usually referred to. To this pointed Turgot, Bosanquet as well as Tooke; Marx too emphasised this. The question is, where does this property in the money commodity come from?

Marx, like Aristotle, proceeds in the analysis of money from the *equivalence* of commodity exchange. The Physiocrats – Le Trosne, Turgot – likewise viewed exchange of commodities as an exchange of equivalents. They, of course, knew, that different use values are exchanged, that a commodity has greater use value for the buyer, than the one who sells it. But unlike Condillac – and therewith also unlike his successor Menger, who proceed from use value as the source of exchange value and believe that exchange according to equivalents is a fantasy, Turgot showed, that exchange of commodities is based on equivalence even from a consumer point of view: both sides equally gain in this.

What is an equivalent? Marx gives the same definition as Turgot, who says that for the expression of value it is enough to express it in the quantity of another thing, which is also considered as equivalent.¹⁶⁴ Marx at the beginning of his analysis emphasises the qualitative, and not quantitative (arithmetic, in Cassel's terminology) side of the equivalent form, which is correct also historically. The equivalence of a commodity is 'the form of direct exchangeability with all other commodities' – he says.¹⁶⁵ What explains this 'direct exchangeability'? Marx sees the cause in the point that a commodity, as the equivalent, represents *value* in its use value. This value is 'a supra-natural property [of the thing]: [...] something purely social [which makes it directly exchangeable]'.¹⁶⁶

The use value of a thing serves as motive for *direct* exchange of products as use values; 'In the direct exchange of products, each commodity is a direct means of exchange to its owner, and an equivalent to those who do not possess it, although only in so far as it has use-value for them' Marx points out.¹⁶⁷ At this *initial* stage of commodity exchange there

¹⁶⁴Turgot 1793 [pp. 35 and following].

¹⁶⁵Marx 1976, p. 161.

¹⁶⁶Marx 1976, p. 149.

¹⁶⁷Marx 1976, p. 182.

takes place according to Marx an equivalence not of values, but of use values. Here the value of the commodity is not yet *separated* from the use value of its own commodity. – Let us recall that according to Marx in the pre-commodity world value is identical with use value, but here we ignore this. – The situation is different at that stage of *direct* commodity exchange when there is already production for *exchange*, at least of part of the products, where people are already interested in the exchange value of their and others' commodities. This is also the stage which Marx takes as starting point of his analysis of commodity value, as a *relation*. And here Marx sets the basis of equivalence only of the *exchange* value of a commodity.

It is not the particular use value of one or another commodity that makes it the favourite commodity of exchange, directly exchangeable for all others, and thereby the general equivalent, – says Marx. This happens [rather] due to the fact that, together with the development of commodity *exchange*, with its expansion, the *necessity* arises to single out one or several commodities from all the rest and endow them with the property of direct exchangeability for *all* commodities. Otherwise exchange could not occur unimpededly due to the fact that commodities, products of individual, private work, are non-directly exchangeable for all commodities. In brief, one or a few commodities are therefore also made through a 'social act' into general equivalents, and this in distinction from and in opposition to other commodities. All commodities can become such an equivalent, – says Marx, like also Turgot; but in contrast to the latter, he emphasises that once such a commodity is elected, 'others already cannot possess such a property [...] Catholics there are many – a Pope there is but one'.¹⁶⁸

This creation of a general equivalent follows, according to Marx, from the necessity to reconcile the contradiction between the private, individual character of labour, creating the commodity, and its social character, between its individuality and communality with all other independent works. It arises from the necessity of a given commodity value, having a limited scope of direct exchange, to turn into general exchange value, the monetary form, and thereby give it an unlimited scope. The creation of a general equivalent arises from the necessity to resolve the contradiction between the use value and the exchange value of commodities. In the elimination of these contradictions into one commodity and the exchangeability of all other commodities for it a *form of movement* of the commodity world in its contradictions was found.

¹⁶⁸Marx 1976, p. 161. [This is a paraphrase. Finn used the term Catholics *t'ma* (dark, obscurity), which seems an error, so I think the sentence only makes sense when it is translated as 'many', in order for it to match Marx's point.]

This happened gradually. Individual commodities, in the beginning a few, serve as such equivalents a local, accidental and temporal character, later they perform this function more permanently. Between separate equivalents there are also established determined relations. Within a tribe the objects of import or items of domestic wealth usually become equivalents, easily alienated, as, for example, cattle. '[The advance consists only in that the form of direct and universal exchangeability, in other words] [T]he universal equivalent form, has now by social custom finally become entwined with the specific natural form of the commodity gold'.¹⁶⁹ Such is the view of Marx.

Kautsky represents this process in a different way.¹⁷⁰ The development of exchange, he says, gets a strong impulse when on the market a product appears that is readily accepted by all. This enables the exchange of products for this commodity even when it is not in need. Then direct exchange is increasingly replaced by indirect [exchange]. Commodities ever more measure their exchange value in quantities of this general commodity, readily accepted. 'The commodity which generally facilitates exchange is nothing else than money'.¹⁷¹ The appearance of a commodity specially desired for its *use* values, and therefore willingly accepted, highlights it above others, makes it ever more the intermediary in exchange, turns it into a general measure. This, contrary to Kautsky's opinion, is a long way from Marx.

Kautsky here is closer to Menger and Schumpeter in that money also in him appears as the result of an exchange that has become *mediated*. He is close also to Turgot or Rodbertus, since he highlights the special acceptability and exchangeability of one or another commodity by virtue of its *use* value. Marx, who did not deny that some commodities are, according to their use value, especially suitable for serving as general equivalents, formulates and resolves this question differently.

Why does a favourite by its use value commodity have such an exceptional significance for *exchange*? Why does it have special significance not only as a use value, but also as exchange value? Why is this general equivalent needed? It is entirely obvious that the reason for this must be sought in the conditions of *exchange* of commodities, and not in the useful properties of this or that commodity. The fact that there appeared a commodity suitable for a determined function in exchange, is a matter of the technique of exchange. Meanwhile, the question in economics is: why was *such* a commodity needed, not for

¹⁶⁹Marx 1976, p. 162. [This is the closest we could find to Finn's quote, which translated reads: 'Social custom unites, finally, the general equivalent form with precious metals, whose natural properties correspond best to the social need in this form of value'.]

¹⁷⁰Kautsky 2019, chapter ten in Kautsky 1925, Kautsky 1927.

¹⁷¹Kautsky 1925, p. 258.

consumption, but for *exchange*? And Marx responds to this: this was caused by a change of the *relations of production*.

Such a commodity was important for exchange primarily as a *mediator*, so that exchange could become indirect, as a means of indirect exchange, – economists usually say, among them also Kautsky. No, this is not so, – Turgot already replied following Aristotle, – such a commodity is highlighted in the first place because a general measure of value is needed also in direct exchange. And this is true not just logically. The *internal* measure of value of commodities, labour time, requires the existence of an *external* measure, in the form of a special commodity. Historical and ethnographic data show with certainty, that the function of measure of value appears predominantly in the commodity serving as the most frequent, regular means of exchange between tribes – the equivalent of commodities. The *development* of this function into a special equivalent commodity and its transformation into the *general* equivalent – is the money commodity.¹⁷² The merit of Marx is that he, in contrast to Aristotle and others who considered money as making commodities commensurate, emphasised that, on the contrary, commodities, *measuring* their labour values in one and the same special commodity, make it the *general* external measure, the general *expression* of value, qualitatively and quantitatively, the *general* equivalent, the *general* order, in brief – money.¹⁷³

¹⁷²Over the course of history the commodities which functioned as measure of value have changed more than once, and new, more convenient ones were put forward as general means of exchange and circulation. And just like we with the introduction of new measures still for a long time translate them for our understanding into the old ones, so too with the introduction of new money, as means of exchange, still for a long time people continue to measure in the old money: one measured by livestock [*skot*] and paid by metal. Treasury [*kazna*] among us [in Russia] was called for a long time 'livestock' [*skotnitsej*].

¹⁷³Professor Cunow, an able describer of primitive social forms, is weak as concerns the theory of money. He explains the appearance of money by the point that during the exchange of commodities, there emerges a moment when the producer of a given commodity, without the possibility of direct exchange for other commodities desirable for him, exchanges for commodities that have general use value and therefore easily exchangeable for others. Such commodities in New Guinea, for example, are usually luxury commodities... In this way among the commodities is allocated one that has general significance, and it becomes the 'chief means of payment', that is money (Cunow 1926, pp. 339–40). This, of course, is not a theory. Money as 'chief means of payment' is a phenomenon of *later* times. The mistaken view, widespread among economists, is that the function of money as a means of payment, primarily, is explained by the fact that products served as means of payment, – as well as measure of value, – not only before the appearance of money, but also [before] *exchange*. The task of the theory of money is [rather] to show: how does the *development* of the function of the measure of value – Cunow says nothing about it – in the exchange process lead to the transformation of a *special* commodity, that carried out this function, into money; and further: how on a certain stage of the development of monetary *circulation* money became the *general* means of payment. A high development of the monetary economy is required to ensure that all payments – and those that were previously [made] in kind – are converted into monetary [payments]. There is not any basis for the statement, that primitive nations exchanged their products for one product because they needed it as a 'chief means of payment', and not as means of exchange. The fact that products, produced for one [tribe], in the end found their way to another, among tribes formerly not in direct exchange with each other, absolutely constitutes no proof that money emerged from the function of the commodity as 'means of payment'. This phenomenon is explained by the fact that commodities, received in direct exchange by a given tribe, were exchanged by them direct directly for products of other tribes. In the previous essay we pointed out that

Kautsky knows that money – 'is a commodity, a use value which represents only value'.¹⁷⁴ It would have been more accurate to say: general exchange value. The flaw of Kautsky is that he mixes the function of commodities as means of direct exchange with the function of commodities as means of indirect exchange and does not distinguish money as means of *exchange* from money as means of *circulation*.

Marx nowhere referred to money as a *means of exchange*. It is in fact the means to replace exchange [*Tauschen*] by payment [*Kaufen*]. When one calls money not a means of circulation or a means of payment, but a means of exchange, it comes down to obliterating the distinction between the two essentially different operations.¹⁷⁵

Such assertion in the mouth of Kautsky is outright amazing. Marx writes black on white in *A Contribution* that the 'original (*ursprüngliche*) function [of the monetary commodity is that] of means of exchange (*Tauschmittel*)'.¹⁷⁶ Later he points out that in commodity *circulation*, which, as is known, differs from direct commodity exchange, money becomes a means of circulation (*Zirkulationsmittel*).¹⁷⁷ Kautsky mixed up two different stages of development of money, attributing to Marx the idea that money as a *means of circulation* – is the original function; in Marx this is said about purchasing means in *relation* to the [historically] later function of money as means of payment in commodity circulation, but not in relation to money's function as means of exchange in direct exchange of commodities. With his original function of money as a means of circulation Kautsky acts as Schumpeter's co-thinker, but not Marx's. But about the functions of money we still will talk separately.

Thus Kautsky's depiction of Marx's theory of the emergence of money, although plain, is untrue. On the other hand, in Marx's theory of equivalents, splendid for its mastery of dialectics, we encounter the same defects in the depiction by him of value, exchange value

exchange at first usually consisted not of products of nutrition, but of means of production: weapons, luxury objects, that is products, long preserving their utility, and with it also [their] exchange value. In this phenomena we see the confirmation that the initial natural function of monetary commodities was the performance by them of the function of *means of exchange* between tribes.

¹⁷⁴[No reference given.]

¹⁷⁵Kautsky 1927, p. 191.

¹⁷⁶Marx 1987a, p. 381.

¹⁷⁷[Finn cites p. 185 of the third German edition 1909 (which would correspond to Marx 1987a, p. 400), but we do not find such point there.]

and use value and their relation to each other, in the illumination of abstract and concrete labour and their mutual relation, as we already have seen in him before.

Marx puts the direct exchangeability of commodities in dependence on the value ('purely-social property') of the commodity, meanwhile it is known that the degree of direct exchangeability of a given commodity is not at all proportional to the magnitude of its labour value, – rather the contrary: the lower its value, the easier it is to exchange – and at the same time it extremely depends on the degree of its utility: use value too is a social property of commodities. And it is entirely clear that in the direct exchange of commodities, with which we begin the analysis together with Marx, that the commodity which has wider use value, will have a wider sphere of action as exchange value. In such a commodity the contradiction between exchange and use value is weaker. Such commodities are more desirable; also as exchange value – it is the best means of direct exchange for its owner. Products which are more desirable as objects of use, thereby are also more *frequent* means of direct exchange between tribes. And since they are more willing and more likely exchangeable for other commodities, then thereby people become accustomed to see in them a measure of value of other commodities, they get accustomed to measuring with them also the property within tribes, and thus they naturally become a general measure, a general equivalent, money. We see here, too, how a commodity in its purpose, as *use* value, has influence on the determination of its form, as exchange value, how the first affects the development of the equivalent form.

Petty, Locke, Smith, and following them a legion of later economists emphasise the long-term preservation of utility, the invariance of the commodities that have become money. However, usually missed is that throughout the whole of history there were chosen for the function of money also such commodities which by their use values are most suitable for long-term preservation and transfer of exchange value. The precious metals by their natural properties more than other commodities correspond to the functional requirements of money.

If we take into account also the role of use value in the formation of money, then this will eliminate the incomprehensibility, the unexpectedness of the transition in Marx from the detailed formula of relative value 'B' [the total or expanded form of value], when one commodity expresses its value in a number of other commodities – as happened in Homer,¹⁷⁸ – to the formula 'C' [the general form of value], when all commodities at once select this commodity as 'measure of their general single form', their general equivalent. To

¹⁷⁸Marx 1976a, p. 154.

say that such a leap occurred due to necessity for exchange, that 'in the beginning was matter', – this is still not enough. Practical necessity – is a respectable thing, Aristotle too relied on it in his time, although not in quite the same situation, but the question is about clarifying this transition, which was spontaneous, instinctive, and could occur naturally because not only one [person] exchanged his commodity for a number of others, but many [persons] exchanged their commodities for one [commodity], especially required, by virtue of its use value.

Commodities that due to their different use properties were capable of widening direct exchange, usually also were made equivalents, and with them also measures [of value], at first, local, and then ever more general. During the period of 'War Communism' we [in Russia] we had occasion to see how in various places bread, salt, or other commodities functioned as such equivalents. Let us recall, that here we are still dealing with direct exchange, and in this exchange gradually special commodities are highlighted as general means of direct exchange and thereby as a general measure, a commodity which becomes money. Such a stage in exchange, when a commodity serves once a commodity, then as money – a means exchange, but has not yet become conclusively money distinct from commodity, – when the commodity functions once as use value, then as general equivalent, as means of direct exchange for all others use values, is shown to us also by both history and ethnography. Livestock among the nomads: cow, ram, ox and so on; furs (marten) in ancient Rus, squirrel still recently – in Siberia – played the role of such money-commodities. On this stage of development usually it is not one product which fulfils the function of money, but several, and then between them is established a certain relation.¹⁷⁹

Only later, when, together with the development of commodity exchange, and ever more functioning of a monetary commodity as money, does exchange become ever more indirect, is the stage set when the commodity in its use value represents only value, when the special commodity functions predominantly as money. Then we have before us the developed form of money, distinct from the commodity. In this form money, possessing a general exchange value, receives in connection with it already a general use value. The commodity, which represents money, receives a social use value, additional to the one, which it has in the quality of ordinary commodity...

¹⁷⁹Also in the Middle Ages, and later, when precious metals served as a means of circulation, we see how one and the same gold or silver thing – utensils, rings and so on – serve once as objects of personal use, then are put into play as money.

Such is the process. It is more complex than Kautsky imagines, and spans a longer time than it is represented in Marx: the product becomes at first a commodity, but it does not yet have a form of value separate from use value. With the development of exchange it acquires it, but this exchange value is by no means at all detached from use value, it is distinct from it, but not 'entirely independent'; the aptitude of its manifestation in exchange depends on the use value of its commodity, the developed equivalent form again stands in connection also with the use value of the equivalent commodity; finally, the commodity begins to function primarily as money, turns fully into money. It possesses herewith again an acquired social use value. This does not destroy the former use properties of this commodity, but even more increases its general use value, the volume of social need in it. But about this [we will write] in another place. Let us emphasise only, that the claim of the functionalists, that the value of money is created fully or partly [by] this new social use value money – is wrong. In fact the latter arose in connection with the emergence of general exchange value, the new autonomous form of commodity value – money. If the use value of a *special* commodity served as the foundation for the development of its exchange value into *monetary* [value], then the general exchange value, the general equivalence of money was in its turn the foundation for the development of its general use value. Change of the forms of value does not at all signify an enlargement of its magnitude: this *form* was a product of exchange, which does not create value.

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Both nominalists and functionalists willingly recognise the *historical* commodity origin of money; they merely vehemently reject commodity value in developed monetary forms. Nominalists – Knapp and Bendixen – deny the existence in money of an own value at all; functionalists believe that the value in money – is of functional origin, wherewith some of them assert that money is completely 'freed from the initial connection with the commodities, that were once chosen as general measure of value',¹⁸⁰ while others consider that the functional value of money is additional to commodity [value]. (As an example of the former can serve in modern economics Cassel, of the second – Mises). These theories are only products of a superficial interpretation of the various functions and forms of money.

From the fact that symbolic money can replace metal in circulation, that the value of metallic money in circulation may not correspond to its actual weight, – and this is due to

¹⁸⁰[No reference given.]

the law of circulation of tokens of value, there arose the erroneous view of the functionalists, that in the process of commodity exchange not only the monetary form of value with different functions emerges, but also the value itself of money; while in the nominalists, – that money has no own value at all, that it is only a reflection of commodity values, a particular expression of commodity prices, only a simple symbol, a warrant [*order*]. These theorists do not understand the fact that if symbolic money represents prices of commodities in their relation to one and other and insofar [is] a token of price, it is such a token only because it is a token of the metal which it replaces, and it can measure and express prices of commodities only through the mediation of the value of that metal. They do not understand that money represents the real prices of commodities only because the value of commodities obtains expression in the value of gold and [this symbolic] money itself obtains its value from gold. They, on the contrary, superficially explain that [symbolic] money obtains its value in trade from the values of commodities which it represents, and this they bring over also to gold itself as money.¹⁸¹ From the fact that prior to the introduction of metal money the average ox, the average cow, the average fish and so on, functioned in the quality of measure of value they conclude that money 'from time immemorial' is only an abstraction, an ideal unit of measure. These theorists do not see that this ideal unit was taken each time from the real world. So, for example, the cow, which served as 'ideal' unit of measure among Germans until the tenth century, and among the north-western peoples of Europe still later, had according to Norwegian law to have a series of very real attributes: it had to be 'from five to eight years old, have sight, all its legs, tail, udder, be fertile, and generally without defects'.¹⁸²

That the Dutch florin, to which in their time Steuart and Turgot referred as 'ideal money', represented a determined weight of silver, that the Hamburg bank mark likewise represented a determined amount of silver, is without doubt.

Those economists who see the *essence* of money in one or other of its *functions*, argue [among themselves] about which function determines that essence. They do not know that the essence of money lies in the fact that it is a *special autonomous form of value* and that this form of value fulfils various functions in the commodity world: general measure of value, means of purchase, means of payment, treasure and so on, wherewith in different conditions one [does so] to a greater extent, others – lesser. So, in a developed credit

¹⁸¹[Hilferding held this position too. On the basis of the phenomenon of silver becoming a token coin in a number of countries, he argued that the same could happen to a gold currency, which would require a new theory for its explanation. This theory was criticised by Kautsky and others, see the translation of this debate in *Furious Gold* (Gaido and Rodman, 2025).]

¹⁸²Luschin v. Ebengreuth 1926, pp. 172–76.

system, in which metal money serves only as a basis, where the function of money is developed as means of payment, the need for [actual] money, as is known, is reduced to a minimum. The function of money as general measure of value here is especially developed 'both in prices of commodities, and in the magnitudes of mutual obligations'. But since this function does not require in this case either metal, symbolic money, or credit, and can be carried out ideally, then from here also spreads the theory about an ideal accounting money, about an ideal monetary unit. The Messrs 'idealists' do not see, that behind accounting money and the standard of price there lurks money as measure of value, and behind this invisible measure hides full-value metal, that money as special commodity is the foundation of the whole monetary system. That the preservation of the identity of various forms of circulating credit with the metal money represented by them, – is a vital condition of a normal monetary-credit system, that it is of substantial importance that credit money in its various forms retains its value intact, this they cannot but acknowledge in practice. They only cannot understand theoretically why this is possible only insofar as the secure identity of this money is ensured with gold.

No, money – is not a mere abstract unit measuring the relation of values of commodities, it is not an ideal unit of measure, as a countless phalanx of economists claim, beginning with Steuart and ending with Cassel or Hawtrey, it is not just a symbol or a warrant on value, as Berkeley depicted this and as Schumpeter gives out as the latest word,¹⁸³ it does not represent socially necessary labour directly, as this seems to Hilferding. Money is not only social labour (this would not distinguish it from commodity value), it – is an objectified form of value: the value of all commodities is objectified in one material, one use value, one thing, its measure, and as a result this thing becomes the money commodity. Money in the last instance – is the special commodity, whose value determines the value of symbolic, as well as all higher forms of money.

All confusion among economists comes from the fact that they do not see that money is the *external* measure of value, and not the *internal* [measure], which is labour time; that money presupposes already the value of commodities, that it itself – is only the form of commodity values, that it only represents value and magnitudes of it in special commodities, that it as 'measure of value of commodities, always concerns the

¹⁸³ Every commodity, representing exchange value, includes already in this value the concept of a warrant on another exchange value; in what else than in this exchange power of the commodity, which has its source in the fact that the expended labour on the given commodity – is part of general aggregate social labour? But just as a commodity does not possess direct exchangeability for all commodities, so is also a warrant on a given commodity is not yet a warrant on all commodities. Money is precisely the general warrant on all commodities, and therefore it represents general exchange value, abstract labour as general social, materialised in one exclusive commodity.

transformation of value in prices'.¹⁸⁴ They cannot understand that an abstract number is not of the essence of the thing and that behind the abstract accounting unit there lurks money as *external* measure of value, and this latter is connected with determined commodities – today gold. What else is the conclusion of Cassel given by him in the American Senate commission on gold and silver in 1925, that '[t]he gold standard, of course, can not secure a greater stability in the general level of prices of a country than the value of gold itself possesses',¹⁸⁵ than a reconfirmation in vulgar form of the position of Smith–Marx, that the value of money is determined by the value of the by it *represented* gold, which is also expressed, of course, in it having the same purchasing power [as gold].¹⁸⁶

¹⁸⁴ Marx [no reference].

¹⁸⁵ Cassel 1925, p. 206.

¹⁸⁶ That gold by itself is a metal and becomes money only due to certain functions in exchange, has become a common place, at least, in Marxist literature. However one must know that once the commodity world on a certain stage of its development selected gold as monetary commodity, that it not only functions as money in the process of circulation, but is the monetary commodity prior to its entrance [in circulation]. Monetary circulation – is not only the result, but also the presupposition of modern economy. And gold therefore already at its source [of mining] – is the monetary commodity. Any government is free to choose some suitable monetary standard, but if it wishes to have a stable one, than it must introduce a gold standard. The whole theory of Keynes, Cassel and others on a national paper standard, on a currency manipulated according to a commodity index, dissipated like smoke before the sensible requirements of spontaneous reality. It would be as if in the present world economic conditions the all-powerful English parliament chose silver as general measure of value (not to speak even about an average cow)! From the fact that every government, forced today in the economic course of things to introduce a gold standard, at the same time is free to establish its magnitude in a given weight of gold and to give that weight one or other nomination, keeping the old, as in France, or renaming it, as in Austria or Belgium, and from the fact that commodities express their prices in these nominations of the selected standard, vulgar economy – among them also Cassel – deduces, that this nomination is the price of gold and that this established named weight is the fixation by government of a price of gold. The named weight of gold, of course, is not the value of the latter and even less the price, since the monetary commodity has no price, but [rather] in its given weight, in its given standard can have *different* value in different times. Of course it depends on the government's definition what quantity of gold the pound sterling represents, but with this it gives a value to its chosen standard equal to the value of the weight of gold represented by this standard, and the purchasing power of this standard naturally is equal to the purchasing power of the weight of gold in it. But what the value and purchasing power of gold and thereby the given weight of it in the standard is, this already does not depend on the government and is not fixed by it. And what else did Cassel claim, in defiance of his whole theory, when, guided by correct practical instinct, he argued in front of a Committee of American Congress in spring 1928 'that the purchasing power of the dollar, the unit of your currency, must be kept constantly at par with the purchasing power of the corresponding amount of gold' (Cassel 1928, pp. 367 and others)?

The fluctuation of the 'market price of gold' and not only 'under a gold currency with paper circulation', but also under a full metal circulation – gold or silver – was, contrary to Cassel (1926, p. 74), widely discussed in the literature. We will touch on this issue in detail on another occasion. Here it is enough to note that these fluctuations did not give either Ricardo or Marx, for all their different theories of money, a ground for seeking an explanation of them in an 'ideal monetary unit', independent of the value of gold. Cassel, like many others before him, confuses the dependence of the value of paper money, signs of price, on the quantity of them in circulation, with the 'ideal quantitative relation', as Marx put it [no reference]. Cassel does not see that the laws of the functions of money as means of circulation and as measure of value are not the same and that the basis of their 'abstract unit' lies the material–gold, and not Cassel's 'insufficiency of means of payment'.

What in fact does the Bank of England's prescribed magnitude of the 'gold price' (at which it buys and sells) signify in the present gold system of England, which Cassel calls a 'paper currency' and in which he sees an illustration of the correctness of the view about money as an abstract unit? Is the gold price fixed by an abstract pound sterling? – Not at all. It sets the limits for the fluctuations of the credit pound [that is

Marx considered the first chapter of volume one of *Capital* about the value form the most important chapter of his entire book. Only here he first puts at the centre stage the formula of relative value: 'the equation 20 yards of linen = 1 coat is but the primitive form of 20 yards of linen = £2, and thus [...] the simplest form of a commodity, – he explains to Engels, – in which its value is not yet expressed in its relation to all other commodities but only as something differentiated from its own natural form, embodies the whole secret of the money form and thereby, *in nuce*, of all bourgeois forms of the product of labour'.¹⁸⁷ Proudhon did not know this in his time, Otto Neurath does not understand also now, and we have many Marxists and non-Marxists who do not understand. For them, direct commodity exchange, exchange without money, – is natural, according to their expression, exchange – one and the same thing, as also natural economy. This, of course, is untrue, as Kautsky also showed.

In volume one of *Capital* Marx develops the monetary form, proceeding from this simple formula, admitting in a letter to Engels (from 22 June 1867), that 'in my first presentation [A *Contribution*] I avoided the difficulty of the development by not actually (*eigentlich*) analysing the way value is expressed until it appears as its developed form, as expressed in money'...¹⁸⁸ That is, Marx analysed there *relative* value, meanwhile the task consisted of giving primarily an analysis of exchange value. The latter also led him in *Capital* to value, but only as a property of the commodity, and not of the product...

Marx points out that the mystical in the commodity world consists not of the fact that two exchanged commodities represent the same labour, have the common property of human labour, but that the expression of labour value, invested in a given commodity, occurs in

banknote] in relation to gold, the value of which is given in the given time and in the given weight. The credit pound, of course, is regulated, all the more so since it is inconvertible in circulation; and its maximum fluctuation by a half pence in relation to gold is now less, than before the war, when it was sometimes five pence, when the Bank of England was obliged to issue in exchange for banknotes sovereigns, often erased, and halt its sale of ingots. That the rate of exchange affects the market price of gold, has long been known. But this happens because it shows the condition of a given country's credit in *international* relations at the given moment in relation to the full-fledged world money, gold. – The value of gold is everywhere the same, if one abstracts from the costs due to transport. – This indicates not the dependence of the value of the golden pound on the credit pound, but rather the contrary, the dependence of the latter on the first; it represents at a given moment a greater or lesser weight of gold on the world market and therefore a greater or lesser value. For illustration I take an example from the latest English practice. In the *Times* of 16 May 1929 in the financial section under the headline: 'Higher Price of Gold', – which is natural in the jargon of stockbrokers, – we read that in the last week the Bank of England could purchase part of the gold that arrived from the Transvaal, only by paying for an ounce 84 shilling 10 7/8 pence, almost 1 pence above the minimum prescribed by law at 84 shilling 9,81 pence, otherwise it would not have been sold to it. Why did it have to pay so high? Because, the *Times* points out, the sterling-dollar rate fell due to demand for dollars from the continent of Europe. So, the lowering of the exchange rate, that is the value of the credit pound, which showed that it represents less weight of gold than the parity requires, made the Bank of England give it when exchanging for full-weight gold more than the appointed minimum.

¹⁸⁷Marx 1987b, p. 384.

¹⁸⁸Marx 1987b, pp. 384–5.

another commodity, that is the mystical consists of the fact that value is objectified in another commodity. Marx considers value a category only of the commodity world. The question arises: is direct evaluation of labour in a given product (from the aspect of its expenditure) possible in a collective system? Or, in other words, is direct measurement of labour value in labour time then possible? Kautsky doubts that in a socialist system the difficulty of such measurement would soon be overcome. In his opinion, then too there will be recourse to objectification of socially necessary labour time... Equivalence – is the necessary way of expression of labour value in the commodity world, another we do not possess. But such a detour path in the commodity world is connected also with the difficulty of direct social evaluations, – which already Turgot indicated, – and not only with the fact that the commodity is a product of private labour. In a 'communal' economic system individual labour will be directly common, social; nevertheless the question arises: whether it will be expressed, not in a straightforward fashion, in that given product in which it is embedded, but [rather] in a relative fashion, in another, special product, like gold... This we will consider in the chapter on price.

3. General conclusions on value

1. The rejection of the theory of labour value [even] after the complete failure of the theory of marginal utility, despite all efforts of the latter's supporters, can be explained only by class prejudices or interests. Not only logically, but historically it has been proven that the various modern forms of surplus value: profit, rent, interest – are only products of labour. That necessary labour is the source of existence of the worker hardly anyone will dispute. What else than precisely human activity in society is the source of the real accumulation of material wealth in it, and therefore in its capitalist form too?
2. Value expresses the *relation* of social man to the labour *expended* by him. Use value expresses the relation of man to a thing from the aspect of its utility in *consumption*. Labour expenditure of an individual person in society is a value for him, it represents value also to others when the product is produced for them. Production for others is not yet production of commodities. The product becomes a commodity through exchange. Thanks to the latter the labour value of a product is transformed into the exchange value of a commodity. Commodity value, exchange value – is merely the form of labour value of a product. Nothing can come out of nothing. If in exchange the commodity displays an

exchange power, then it means it somewhere acquired it. In exchange? But this is rejected by Marx, which means, – in production, and in natural production [this means] before the product becomes a commodity.

3. Value is formed by *any* goal-oriented expenditure of human labour; the magnitude of value depends on the amount of expended labour, but this amount itself depends on the *social* conditions; value, thus, is established objectively. In an *exchange* economy the market in the last instance controls, corroborates, the height of commodity values.¹⁸⁹

4. Separate, private, labour carries not only an individual, but also a social character insofar as it creates a commodity, and *exchange* value is social in its essence. This separate labour is part of *aggregate* social labour, but is *not general* [labour]. General and social labour are not one and the same; in the commodity world, general labour is social, but not every social labour is general. The exchange value of a commodity is social, but not general, because it does not exchange directly for all other commodities. A general exchange value exists only in the *monetary* commodity, which only directly also is exchangeable for all other commodity values, the *general* equivalent.

5. Abstract labour, as a general concept, is common to *all* social epochs; it is labour considered from the side of its expenditure. In this sense every concrete labour is abstract. The concrete labour embedded in a product forms thereby also value: it is human labour in general, which in *human* society forms value. The difference between the value of a product and the value of a commodity, called exchange value, lies in the fact that the *manifestation* of it occurs separately from its use value, in the use value of other commodities, in the *relative* expression of it, – in the monetary price, [and] when exchange value of the commodity is expressed in the natural form of the general commodity – money (in price, if together with Turgot one calls it the value of one commodity expressed in any other commodity). All commodities, expressing their values in the natural form of one commodity, thus transmuting into one and the same thing – gold, – receive the possibility to be measured quantitatively.

6. What makes their transmutation and thereby their comparison in exchange possible? The fact that the embedded in them particular concrete labour in the sense of expended

¹⁸⁹ Deeply mistaken is the view that 'abstract labour is born only in exchange, is created only by exchange' (Rubin [no reference]). Abstract labour – is the expenditure of labour in production; also in the natural world not all expended labour is the same. 'The abstraction of general human labour *exists* in the form of average labour (simple labour – average labour power), which, in a given society, the average individual can perform', says Marx [1987a, p. 272]. The distinction between necessary individual labour, expended on the product, its *individual* value, and socially necessary [labour], that is average labour time, its *social* value (Marx's terminology), consists of the fact that the latter is created by expended labour in social-average conditions, which are given, real and merely manifested in exchange.

human labour is the same, that is as value is socially equal. Not a single minute does abstract labour hang in the air; it is bound with the concreteness of its commodity: it is compared with its expenditure in the *monetary commodity* and changes socially quantitatively. The concrete labour of the exclusive commodity, with which the expended labours of all the other commodities are compared, also becomes the carrier of abstract labour, as the general social. The expended labour in each commodity is expressed, in this way, in the expenditure of labour embedded in gold; the values of commodities is expressed, in this way, in corresponding quantities, weight units of gold.¹⁹⁰

7. Here there is no mystification, no fetishism, here before us is a necessary objectification. This – is the way of expressing created human value, expended labour – real, sensible, – in a determined quantity of gold, [just] as we express sensible, tangible weight concretely in a determined quantity of iron. It is impossible to consider gram, second or centimetre 'ideal' units of measure: they are real. By them we measure mass, space and time – abstract are our concepts. Likewise the dollar, the pound sterling – are not ideal units of value, but concrete quantities of metal, and nevertheless they serve for the measurement of value, an abstract concept. And just as in a material gram the force of weight is represented, so in the material dollar – is the expended human labour power.

8. The expenditure of human labour is the expenditure of *natural* power in society. Man – is a bridge between nature and society. Nature acts on social environment, which naturally arose from the former, and society, in development, acts, in its turn, on the physical environment. We do not measure expended labour through physical units of labour, we estimate this expenditure, though inaccurately, by the comparison of different labours with the expenditure of labour on a selected product – the monetary commodity; such is the roundabout, social way of objective measurement of economic expenditure of labour.¹⁹¹ We do not yet have another method, and this is due not only to social, but also technical reasons.

¹⁹⁰Money – is the independent form of existence of exchange value, it is the independent form of value, manifested in the natural form of a special commodity. It exists as a thing, standing apart in the commodity world. 'In commodity value the independent form of existence of exchange value is merely represented, in metal money it exists'. Gold–money is the *material* existence of abstract labour, as general social [labour] and as such it is 'realised as embodiment [*Materiatur*] of universal labour time in the degree that the [*material*] interchange [*Stoffwechsel*] of the products of *concrete* [*realen*] labour becomes world-wide' (Marx 1987a, p. 383).

¹⁹¹'In some places there even appears to be not a little desire to re-import the thermodynamical category of work back into political economy [...], the result of which would be nothing but nonsense. Let someone try to convert any skilled labour into kilogram-metres and then to determine wages on this basis!' (Engels 1987b, pp. 586–7.)

9. *Use value* – is not only of natural, but also of social origin. As the product of labour in general, so too the commodity constitutes a unity of value and use value, – the difference lies in the fact that in a commodity the separation of labour value from use value is ever more manifested externally, independently; it is – exchange value, which, however, does not destroy their internal connection. The value of a product, the exchange value of a commodity, are separate from their use values, but not 'completely independent'.

10. The inconsistencies of Marx are explained to a certain extent by the fact that he focuses his attention on the analysis of the *relative* form of value, the objectification of the value of commodities in the natural form of another [commodity], the expression of abstract labour, as general-social, in a concrete monetary commodity, leaving often aside herewith the connection of abstract labour with the concrete in the commodity, the origin of value from the objectification of human labour in a commodity. In short, in the formula: labour – exchange value – relative value – money value – he analyses the second half mainly separately from the first.

4. Concerning the fetishism of the commodity world

In the famous chapter of *Capital* about the fetishism of the commodity world, we read:

The mysterious character of the commodity-form consists therefore simply in the fact that the commodity reflects the social characteristics of men's own labour as objective characteristics of the products of labour themselves, as the socio-natural properties of these things. Hence it also reflects the social relation of the producers to the sum total of labour as a social relation between objects, a relation which exists apart from and outside the producers.¹⁹²

Yes, commodity relations are so represented, in this fetishism. But here then Marx continues: 'Through this substitution, the products of labour become commodities, sensuous things which are at the same time supra-sensible or social'. No, this substitution arose already later, after products had become commodities, which they became due to the natural, spontaneous and instinctively-blind, but nevertheless reasonable action of people.

¹⁹²Marx 1976a, p. 164–5.

In the beginning, when relations were simple, it was no mystery that relations of things in exchange represent relations of people. That is also what Marx himself says. It is different when the commodity world develops and becomes more complicated. Here the connection between social functions of things and people, who exercise their social relations in production and exchange by means of these things, is lost. The representation is created, as if these social functions are fulfilled by commodities *only*, due to their *natural* properties. This, of course, is fetishism. But it is wrong to represent the case in such a way that the social properties of things do not stand in any connection with their natural properties, that they only reflect social relations of people to each other *without any relation* of people *to things*. And this is precisely what Marx here does in contradiction with himself.

He says:

[T]he impression made by a thing on the optic nerve is perceived not as a subjective excitation of that nerve but as the objective form of a thing outside the eye. In the act of seeing, of course, light is really transmitted from one thing, the external object, to another thing, the eye. It is a physical relation between physical things. As against this, the commodity-form, and the value-relation of the products of labour within which it appears, have absolutely no connection with the physical nature of the commodity and the material [*dinglich*] relations arising out of this. It is nothing but the definite social relation between men themselves which assumes here, for them, the fantastic form of a relation between things.¹⁹³

Yes, the commodity *form* of the product is the purest result of relations of people. But Marx considers value itself to be connected only with the commodity form. With this too one cannot agree. Value is connected with the product of human labour, embedded in a thing, the transmitted to it power, acting not only physically, but also socially. This expenditure of human power, which is both a social and natural power, is materialised in things, and is reflected in the brain, in the consciousness of social man, just as electromagnetic waves are reflected in the optic nerve, as light.¹⁹⁴

¹⁹³Marx 1976a, p. 165.

¹⁹⁴Wieser believes that Marx 'errs' by deducing the fetishist mystical characteristic of the commodity from exchange value... While the classics and Marx took 'endless pains to discover the laws of value and of price, [they] overlooked the fact that the laws of computation of utility (*der Nutzkomputation*) are actually observed [that is, in practical economy], that these constitute the immediate basis of laws of value and price and that the latter cannot possibly be explained except by familiarity with the former. Every reckoning according to value-in-exchange is fundamentally a computation of utility. It can only be understood as such' (Wieser 1927, p. 87). (We here meet thus with the same statement that we already heard earlier from

In order, therefore, to find an analogy (with commodity fetishism) we must take flight into the misty realm of religion. There the products of the human brain appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race. So it is in the world of commodities with the products of men's hands. I call this the fetishism which attaches itself to the products of labour as soon as they are produced as commodities, and is therefore inseparable from the production of commodities.¹⁹⁵

Here it is necessary to distinguish right from wrong. The gods created by human imagination are devoid of any *real* power by themselves, they are endowed with *imaginary* forces, that reflect the actions of people in relation to one and other and to nature. In commodities, however, labour is realised, they express in their exchange relations determined relations of people in production, in the expenditure of their labour power; they acquire *real* power, and *this power* is reflected in the human brain. The analogy with the religious world can therefore not be recognised as successful. The commodity world is different from the purely natural world, but it is also different from the purely ideal: it is material and social. That is why if the situation required it clever people could always whistle away the gods, [whereas] the world of commodities made and makes always its own power felt and it is not easy to escape it: the form here is connected with the content, but is not 'glued' to it.¹⁹⁶

Schumpeter and others – A. F.-E.). 'The laws of computation of utility, which are followed by every person, are obscure. It is only with difficulty that their theory may be comprehended. The controlling factors are deeply hidden in human desires. People live in an already fully organized economic environment. Everyone therefore finds his motivation in actual conditions. He learns through daily experience to follow such impulses'. But the fact that a person has actually [in practice] behaved in a rational manner, does not necessarily qualify him to give his actions a theoretical explanation, – Wieser tells us. 'It is one thing to act understandingly; it is another to appraise oneself and one's surroundings as an outsider. We have in this contrast the difficulty – if you would have it so, the secret – of all economic theory. We need not expect to find no other secret or mysticism inherent in the wares as such' (Wieser 1924, pp. 87–8). So, while Marx speaks of the erroneous reflection of reality in the mind of the practical person, since the true essence of the process is hidden from him, which is theoretically clarified, wherewith 'the riddle does not at all lie in use value' (Marx [no reference]), Wieser is satisfied with practice, except that not everything is all right with theory: it is difficult for it to understand the laws of computation of utility, which only need to be explained and then the interpretation of the laws of value and price 'will no longer offer excessive difficulties' [no reference]. We fully understand the theoretical difficulties of Wieser and his adherents, who are in vain looking for a solution of the puzzle there where it cannot be found. But we cannot agree either with those, who sees all the ills of the practice of the commodity world in fetishism. It should be borne in mind that it is not enough to know that labour hides behind exchange value, that it is not enough to explain the mysticism and riddle of the commodity world, disclosing its contradictions, in order to get rid of the latter: present must be also the power to change the conditions which give rise to these contradictions.

¹⁹⁵ Marx 1976a, p. 165.

¹⁹⁶ The expenditure of human labour, a real natural power, is reflected as value in human consciousness, which is a natural process in a social environment... To man it was always easier to express the evaluation of

The contradictions, in which Marx enters here, are connected: with his separation of the commodity from the product of labour, whereas this is only a form of it; with his binding of value not with the product of labour, but with the commodity, whereas the commodity has merely the exchange form of value; with his separation of society from nature, whereas between them, in his own doctrine, there is a bridge through the labour of man.

5. Some methodological remarks

The view is quite widespread among Marxists that the historical-genetic method was discovered by Marx. Not to mention even the Aristotelian picture of changing forms of exchange in the course of history, – which Marx also recalls, – leaving aside also the socialists, even though also the petty-bourgeois [socialists], one cannot fail to note the major steps in the application of the historical-genetic method by the bourgeois economist Richard Jones. Contrary to the assertion of various commentators, Marx, following Sismondi, analyses both the material basis, and the form of organisation of modern society, revealing the interactions and contradictions between them. And he does this much deeper and more more accurately than his predecessors – like the English and French socialists, as well as Rodbertus. The difference between the Smithian-Ricardian theory of value and the Marxian lies not in the point that the first is individualist, and the second social: both one and the other are social, – but in the fact that Marx's theory is *historically-social*. The difference between Smith and Ricardo, on one side, and Marx, on

the product of labour materially in a thing, than abstractly in labour hours. He did this also in the beginning concretely in the same thing itself. It was easier for him to compare the value of his products in the quantities of another also during the mutual gift. The same is true with the emergence of commodity exchange. It is absolutely clear that the objectification of value assumes the existence of a certain content in the commodity, which also constitutes its exchange value, exchange power, and this something is the realised labour in it. Objectification was not at all necessarily connected with fetishism, with the worship, subordination to things. Social relations of people through the medium of things exist also in the natural world, based there on personal independence, [and] were replaced in the commodity world by social relations of people who are personally free, but materially dependent. The direct dominance of people over people was joined also by reign under the mediation of things. In the commodity world this has changed [to] only dominance through the mediation of things. This thought is expressed also in Smith (1909, p. 37), when he indicates apropos the saying of Hobbes that wealth is power, that this power does not at all necessarily acquire non-economic [that is political] power. [But this] power already affords the means of acquisition of material wealth of everything, including [political] power... The next step of society consists of the liberation of man from subjection and the force of things. Money, as Simmel justly points out, followed by Rykachev [1910], and Kautsky, played not only a negative, but also a positive role in history. Mistaken are those economists, who consider money only a symbol and its connection to gold – only a prejudice. Gold fulfils determined social functions, which may partly stay also after the removal from it of all magical treachery, so long as relations of people occur through things, objectified in things and consciously, but not blindly. Gold will turn then from the master into the servant.

the other, further, lies not in the point that they are fetishists, and he reveals the fetishism of the commodity world, as it is usually interpreted. Marx himself has a different opinion on this matter, as can clearly be seen from the quotation we give in this footnote.¹⁹⁷ The difference also here lies in the degree of penetration into the mysteries of the capitalist world, in the completeness, the consistency of the analysis of it. Yet one should again recall Richard Jones, who not only thoroughly revealed the fetishism of capital, but pointed out quite definitely the relative, transitory character of the capitalist world and therewith, according to Marx himself, he ended with honour the life path of classical bourgeois economy. It is enough to get acquainted with the writings of Richard Jones, at least through the detailed conspectus in the third volume of *Theories [of Surplus Value]* of Marx, accompanied by the most flattering reviews, to see that the theory of social development, set forth by Marx in the well-known preface to *A Contribution*, in fundamental characteristics, more than that, in places in the same expressions, was given also by Jones.¹⁹⁸

However, not only with respect to bourgeois classical economy, but also with respect to a number of recent economists the features usually stressed to distinguish Marxist economy from them are not quite true. Thus, not only Stolzmann or Petry, but also Cassel and Wieser emphasise the social character of the economic process. Further, as a result of the world war even the most inveterate bourgeois economists began to recognise the historical, transitory character of the capitalist system. What distinguishes nowadays bourgeois economy in this respect from the Marxist one? That the first strenuously emphasises the common features, typical of various epochs, obscuring the differences, that it considers a number of categories proper only to the bourgeois world, to be eternal, natural and

¹⁹⁷It is the great merit of classical economics to have dissolved this false appearance and deception, this autonomization and ossification of the different social elements of wealth vis-à-vis one another, this personification of things and reification of the relations of production, this religion of everyday life, by reducing interest to a part of profit and rent to the surplus above the average profit, so that they both coincide in surplus-value; by presenting the circulation process as simply a metamorphosis of forms, and finally in the immediate process of production reducing the value and surplus-value of commodities to labour. Yet even its best representatives remained more or less trapped in the world of illusion their criticism had dissolved, and nothing else is possible from the bourgeois standpoint; they all fell therefore more or less into inconsistencies, half-truths and unresolved contradictions' (Marx 1981, p. 969).

¹⁹⁸There are, perhaps, critics, specialists in mind reading, – I am already used to them, – who will accuse me of an attempt to discredit Marx, moreover, to renounce him, on the grounds that I try to show the ideological connection of his teaching with economists that preceded him. I recall, therefore, that already in the collection *Pamjati Marksa*, published in 1908, I began my article with the words: 'The father of Marx in political economy was Ricardo' and ended it by the indication that the proletariat is 'the heir to classical bourgeois economy'. I refer, further, to the remark of Marshall apropos Ricardo: 'Prof. Hollander has shown that nearly every part of Ricardo's doctrine was anticipated by some one or other of his predecessors: but his masterly genius, like that of Smith, was largely occupied with the supreme task of building up a number of fragmentary truths into coherent doctrine. Such a doctrine has constructive force, because it is an organic whole' (Marshall 1923, p. 41). This is wholly applicable to the genius of Marx.

therefore necessary also in a collectivist system... It is likewise impossible to consider modern bourgeois economy indiscriminately fetishist. And *Capital* of Marx could not help but influence it: take Schumpeter at least. What is characteristic for modern bourgeois economy is that it sees the centre of gravity in the sphere of circulation, and not in production... Not entirely justified, finally, is also the opinion of Marx, expressed by him in the postface to the second edition of volume one of *Capital*,¹⁹⁹ that the knell of scientific bourgeois economics sounded, once the antagonistic character of capitalist production had shown itself, since it can no longer consider capitalist economy from the positive side, that is the from the side of society, as a whole. Capitalism after Marx continued to develop and create new forms of movement for its contradictions; this itself puts forward a series of new economic problems. Herewith it would not at all be obligatory to consider some economic theorem from the side of the interests of some class, in an apologetic fashion, like Bastiat, or in a conciliatory fashion, like Mill and the catheder-socialists. Both the old complicated questions and the newly emerging ones could be scientifically, objectively considered. But this has made possible also an *original continuation* of scientific bourgeois economics. Let us point to the development of economic statistics, the research in the domain of banks, credit, conjuncture and so on. Marxist economic thought cannot bypass these works, if it does not want to stand still.

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The law of exchange value in the commodity world manifests itself as a *mass* phenomenon. It makes itself felt stronger, the more that production and circulation of commodities increases, the more production becomes capitalist, and the national market – a world market. However, if the law of exchange value paves the way for itself as the average of a large number of phenomena, this does not mean that it is a statistical law.²⁰⁰

¹⁹⁹Marx 1976, p. 97.

²⁰⁰A quantitative relation proves only the existence of regularity in phenomena. But this pattern must still be explained. Let us illustrate this: some economists tell us that value is the same as average price. This is false: firstly, average price is not value in the capitalist economy and, secondly, this average itself is regulated and requires explanation. Critics of Marx completely without ground attribute to him that, in his theory, commodities in the capitalist economy are sold according to value. Marx, on the contrary, argued that commodities are sold at prices which fluctuate around averages, and these averages in the capitalist system are not at all values, but [rather] prices of production. Herewith he tried to explain the inner laws which determine these centres of price fluctuation, to reveal the naturally-necessary which is manifested spontaneously, blindly, as an average, that is he tried to find the inner connection of phenomena. And it is self-evident that by means of statistics this connection is not discovered.

Under the influence of Boltzmann it became fashionable to consider also economic laws as laws of large numbers, of statistical regularity. 'If the molecular theory of the constitution of bodies is true, all our knowledge of matter is of a statistical kind'. Quoting these words of Maxwell, Wesley Mitchell²⁰¹ (and others) points out that this is not applicable to the world of economics because individual phenomena are not as homogeneous as molecules. In the physical world, he says, there is 'a close correspondence between the results based on speculation and the results based on statistical observation', in economics the matter is different. However, emphasising the differences between social and physical statistics, economists-statisticians do not see that also the physical world is not ruled by statistical regularity, but by an *internal* connection, which often *externally* manifests its necessity as an accident, subject to the law of probability. I will refer to Planck, one of the creators of modern physics, who cautions about the fascination with the law of large numbers also in physics.²⁰² The structure of the hydrogen atom, where one electron moves around one proton, [or] our solar system, where a limited number of planets move along an ellipsis, thus finding a form of movement that solves the contradiction of their desire to move tangentially and at the same time in the direction of the system's centre, can serve as illustrations of the manifestation of the dialectical law of internal connection.

Empiricism cannot replace theory; one series of figures cannot sufficiently explain to us the causality. No index can replace the process of analysis. To pretentious mathematical economics we note Engels's words, that we can express every law of motion with the same success dialectically-logically, as well as mathematically. Mathematical calculations are only good when they reflect the actual dialectics of phenomena, and economics knows a whole number of things that do not lend themselves to such accurate quantitative measurement.²⁰³

²⁰¹Mitchell 1925, p. 11.

²⁰² "There are authoritative physicists who recognize that the principles of classical theory in fact have only a statistical significance ... This idea seems to me, however, to go too far because by sacrificing classical dynamics, it at the same time deprives any rational statistics of a foundation. It is enough to point to the postulate of Bohr's theory of Kepler-motion of electrons in individual atoms of the primary elements, where there can be no question of statistics, – to admit that even with these subtle phenomena it is impossible to do without basic equations of classical theory' (Planck 1923 [no page reference]).

²⁰³'Mathematics [...] helps us to think; [but] it cannot replace actual thinking', correctly notes Wicksell in his latest work in *Ekonomisk Tidskrift* 1925 (Wicksell 1958, p. 204), where he gives a detailed account of *Mathematical Groundwork of Economics* of A. Bowley. The advantage of mathematics is that it fixes our concepts, but this fixation is good when the established concepts are correctly determined. In fact, very often in place of questionable concepts are put algebraic symbols and, squeezing complex phenomena into narrow formulas and equations, develops a mathematical game. Mathematicians let the formulas speak for themselves, not doubting in their content, and this does not quite work for definitions which are not enough clarified, for concepts which are not sufficiently defined in economics. That is why Wicksell, following Marshall – both mathematicians – advises economists not to get carried away in their works with algebraic formulas. It is not superfluous, perhaps, to draw attention here to Engels's indication in the preface to the

It is fashionable now in economic literature to operate with concepts [such as]: statics, dynamics, equilibrium – with terms, transferred without sufficient reasoning and criticism from physics – increasing only the fog covering a number of economic phenomena and, especially, in explaining shifts of conjuncture. Some just replace by these words a insufficient understanding, others, who are entangled in the contradictions of these concepts, are ready to reject the very concept of equilibrium in economics. There can be also no talk about a statistical equilibrium in economic life, which is by essence dynamic, represents movement over time and undergoes change.²⁰⁴ Mistaken only is that disturbance of equilibrium in economics is considered [to be a] dynamic. A sustainable equilibrium in economics, is always an equilibrium in motion. And this is true not only in economics, but also in physics, chemistry, and biology. The concept of statics of classical mechanics is outdated. Modern physics considers statics, in the sense of equilibrium, rest in motion, as a private case of motion. Engels points out that in the living organism we see continual motion of all the smallest particles as well as of the larger organs and at the same time a 'continual equilibrium of the total organism during the normal period of life, which yet always remains in motion'. 'All equilibrium is only relative and temporary'.²⁰⁵ Scientific economic analysis – is not mechanical, but dialectical; it studies the phenomenon not only in space, but also in time, not only statistically, but also theoretically.

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third volume of Capital, which can introduce some misconception:

'[Critical] remarks about other aspects of Marx's presentation [...] rest on the misunderstanding to the effect that Marx seeks to define where he only explains, and that one can generally look in Marx for fixed, cut-and-dried definitions that are valid for all time. It should go without saying that where things and their mutual relations are conceived not as fixed but rather as changing, their mental images, too, i.e. concepts, are also subject to change and reformulation; that they are not to be encapsulated in rigid definitions, but rather developed in their process of historical or logical formation', explains Engels to the critics (Marx 1981, p. 103).

That is true, but a dialectical operation with concepts does not contradict an exact definition of them. Of course, concepts change together with changes of their content, but this change must be in one way or another be fixed in them. Otherwise there is inevitable confusion in the operation with concepts, having different meanings.

²⁰⁴This is understood also by Struve, who rejects statistical equilibrium in economics. But, putting forward in its place 'statistical equanimity' and announcing the latest word in science to be the 'statistification' and 'accountisation' of economics, he falls in his turn into error (see Struve 1923).

²⁰⁵Engels 1987b, p. 526.

The law of value, the law of internal connection,²⁰⁶ in the commodity world is manifested spontaneously and not at all directly. '[One] will be astonished, – Marx wrote Engels, – when [one] sees in Volume II how little the determination of value (*Wertbestimmung*) counts (*gilt*) for "directly" in bourgeois society'.²⁰⁷ The question arises: why does Marx in the analysis of the commodity world, where, on the one hand, there is a mass of sellers, and on the other hand, buyers of the same kind of commodities; the first represent in their sum the supply, the second – demand, where these sums act on each other as 'aggregate forces;' where the individual subject acts as an 'atom of the mass', where 'the social character of production and consumption is carried out in this form of competition', why Marx in analysing the mass phenomenon proceeds from the *single* commodity? – The answer is that for him the commodity atom expresses the whole world. A commodity is not a simple concept, but a complex one, which is to be dismembered, which is full of contradictions, a concept that expands, mutates and becomes even more complex along with the development of the commodity world, the latter's transformation into a capitalist [commodity world] (the commodity, as product of capital!).²⁰⁸

This corresponds to the historical social process. This corresponds also to abstract thinking, which develops the complex from the simple. Euclidean geometry is the simplest: we imagine the curve as consisting of an infinite number of small straight lines. And

²⁰⁶Most important for understanding the essence of the law of value as the law of internal connection is the following place in Marx:

'The production of commodities must be fully developed before the scientific conviction emerges, from experience itself, that all the different kinds of private labour (which are carried on independently of each other; and yet, as spontaneously developed branches of the social division of labour, are in a situation of all-round dependence on each other) are continually being reduced to the quantitative proportions in which society requires them. The reason for this reduction is that in the midst of the accidental and ever-fluctuating exchange relations between the products, the labour-time socially necessary to produce them asserts itself as a regulative law of nature. In the same way, the law of gravity asserts itself when a person's house collapses on top of him...' And further: 'It is true that the different spheres of production constantly tend towards equilibrium, for the following reason. On the one hand, every producer of a commodity is obliged to produce a use-value, i.e. he must satisfy a particular social need (though the extent of these needs differs quantitatively, and there exists an inner bond which attaches the different levels of need to a system which has grown up spontaneously); on the other hand, the law of the value of commodities ultimately determines how much of its disposable labour-time society can expend on each kind of commodity' (Marx 1976a, pp. 168, 476.).

²⁰⁷ Marx 1987b, p. 515.

²⁰⁸In his analysis of the capitalist economy Marx proceeds from the value of a simple commodity – 'the elementary form of bourgeois wealth', in order to pass from it to the analysis of capital value, because the individual commodity – the starting point of capitalist production – differs from the commodity as a result of it, where the separate commodity is only a *part of the mass*, the product of capital. From the value of the commodity one can develop its more complex form, the price of production, but not vice versa, – explains Marx. In the capitalist world – let us here also point out – prices of commodities fluctuate around prices of production, which are the result, on the one hand, of the operation of the law of labour, forming value, on the other – of the law of the equation of the rate of profit, operating on a historical right: in the sense of its origin and in the sense of necessity under given conditions of production and distribution of value. But to this we will still return in the theory of prices.

Euclidean geometry is not only a special case of non-Euclidean geometry, but it is also the basis for the logical construction of more complex systems, corresponding more closely to real spacial phenomena.²⁰⁹

However you relate to the philosophy of Albert Einstein, however you assess his new unified field theory, one cannot but render tribute to his own remarks in an article published in the *Times* in February 1929: 'The characteristics which especially distinguish the general theory of relativity and even more the new third stage of the theory, the unitary field theory, from other physical theories are [...] the boldness in theoretical construction and, finally, the fundamental reliance on the uniformity of the secrets of natural law and their accessibility to the speculative intellect'. (How far Einstein is here from Emil Du Bois-Reymond and the Hume-Kant-Mach line.)

Meyerson, – Einstein writes, – in his brilliant studies on the theory of knowledge, justly draws a comparison of the intellectual attitude of the relativity theoretician with that of Descartes, or even of Hegel, without thereby implying the censure which a physicist would naturally read into this. However that may be, in the end experience is the only competent judge. Yet in the meantime one thing may be said in defense of the theory. Advance in scientific knowledge must bring about the result that an increase in formal simplicity can only be won at the cost of an increased distance or gap between the fundamental hypotheses of the theory on the one hand, and the directly observed facts on the other. Theory is compelled to pass more and more from the inductive to the deductive method, even though the most important demand to be made of every scientific theory will always remain that it must fit the facts.²¹⁰

We gave this quote, although not everything in it is perfect, to characterise the view of the great modern physicist on the *role of theory* in counterbalance to petty *empiricism*, which raised its head now in all sciences, and especially in economics...

²⁰⁹ So, the structure of the gravitational field was given, corresponding to the requirements of the *general* theory of relativity, the character of a Riemannian space. The structure of the *single* field, electromagnetic and gravitational, gives a 'new geometry', which 'is not only a specialization of the Riemannian but also a generalization of the Euclidean geometry'. Apropos the four-dimensionality of the world, which especially Minkowski puts forward, reinforcing it be the fact that no one has yet imagined to themselves time without space and vice versa, we note, that if the world is four-dimensional, then everything speaks in favour for the point that the fourth dimension of time is separate [the word here in Finn's text is *otlichno* (excellent), but he likely meant *otdel'nyj*] from the other three dimensions of space. Einstein also uses the term: *space–time continuum*.

²¹⁰ Einstein 1929.

We will still have occasion to return to methodology when we will talk about the theory of conjuncture and about the balance of national economy; for now let us remark, that also Persons, the director of the Harvard Committee on Economic Research, in his speech at the eighty-fifth annual meeting of the American Statistical Association in 1923 recognised that the latest devices of mathematical statistics are only advanced auxiliary means for theoretical economy, that interpolation and correlation cannot replace a missing logical connection and that the statistical method is ancillary for the theoretical method of research into the causal relation of phenomena.²¹¹

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²¹¹Persons 1924 [no page reference].

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Controversial Questions of Theoretical Economy²¹² (1930) [Essay Three]

1. What is political economy?

According to Bukharin: 'Theoretical political economy is the study of a social economy based upon the production of *commodities*, i.e. the study of an *unorganized social economy*'.²¹³ Against this Lenin quite definitely objects: 'Not only' of a commodity economy, [and] not only of 'unorganized production'.²¹⁴ 'Untrue' is also the statement of Bukharin that 'the end of a capitalist commodity society will also see the end of political economy'. It, – Lenin indicates, – will remain also in 'pure communism'. And all this is understandable in Lenin, since he quite fundamentally shares the definition of Engels of political economy. Bukharin's view on this account is considered a 'step back'.

What does Engels tell us? – 'Political economy, in the widest sense, is the science of the laws governing the production and exchange of material means of subsistence in human society'.²¹⁵ This 'production of material means of subsistence' is especially not to the liking of our admirers of Stolzmann, Petry and others. According to their assertion the political economy of Marx studies only the forms of social relations of the process of production, [and] is not at all interested in its material side. The falseness of this view strikes one's eye: Marx, the successor of Ricardo, considered the lever of social progress to be the development of 'material productive forces', the growth of material wealth and in distinction from Ricardo based the relative character of the capitalist mode of production on the antagonism of its property relations to the further growth of material production.²¹⁶

²¹²From the editorial board [of *Sotsialisticheskoe chozjajstvo*]. This article by professor Finn-Enotaevsky [written December 1929] is a supplement and development of the views expressed by the author in the first two essays, placed in *Sotsialisticheskoe chozjajstvo* in 1929, under the common title: 'Contribution to the Critique of Theoretical Economy', the first essay: 'On Value' in issue No. 3, the second: 'Value and Money' in issue No. 4. The editorial board considers it necessary to recall, that as in the previous essays, also in the present essay, a number of statements of the author are controversial, and, leaving them to the responsibility of the author, invites discussion of these questions on the pages of our journal.

²¹³Bukharin 1979, p. 57.

²¹⁴Lenin 1929. [Lenin here noted that commodity production too is an organised economy. The English translation of Lenin's critical remarks is included in the 1971 edition of Bukharin's *Economics of the Transformation Period*, New York: Bergman. We translate here the relevant Lenin remarks anew, since that edition was not available to us.]

²¹⁵Engels 1987a, p. 135.

²¹⁶'Sismondi, – says Marx, – is profoundly conscious of the contradictions in capitalist production; he is aware that, on the one hand, its forms—its production relations—stimulate unrestrained development of the productive power and of wealth; and that, on the other hand, these relations are conditional [...] [A]t the bottom of his argument is indeed the inkling that new forms of the appropriation of wealth must correspond to productive forces and the *material and social* conditions for the production of wealth which have developed within capitalist society' (Marx 1989c, pp. 247–8). Well, is the issue here only about form or also

And in the well-known obituary 'Letter on Proudhon' Marx in italics indicates, that 'political economy embrac[es] *property relations*, considering not their legal aspect as relations of volition but their real form, that is, as *relations of (material) production*'.²¹⁷

In their quest to impose their outlook on political economy also on Lenin our scholastics, referring to his marginal note on the statement of Marx: 'Economic categories are only the theoretical expressions, the abstractions of the social relations of production',²¹⁸ that it is an 'exact and simple, undistorted, clear formulation of dialectical *materialism*',²¹⁹ they hastened in *Bolshevik* No. 20 of 1929 to declare: 'Here we have in essence a reiteration by comrade Lenin of the statement about political economy as the science studying "social relations of production", and not "production of material [use] values", which he put forward in his own earlier works'.²²⁰ And this is stated, despite the fact that Lenin, in the same 'Marginal notes', meaning, 'not in the early works', but at one and the same time, refers to Engels, in whom it is written in black and white: 'production of material means of subsistence'. The scholastics strongly emphasise that in Lenin political economy – is 'the science of social relations of production' or 'about production', and only! And this when Marx hundreds of times in different places repeats: 'production of material life' and begins his *Introduction to A Contribution* with the words: 'To begin with, the subject to be discussed is *material production*'.²²¹

In the commodity world the production of products is at the same time the production of exchange values. What is exchange value? It is not just a social relation, but a 'relation of people to one another as an expression of the expenditure of labour power', – answers Marx.²²² Think attentively about this definition. This labour power is expended for the 'appropriation', the subjugation of nature. It is clear that the relation of people to one another here includes also the relation to *things*. Value according to Marx possesses exchange power, 'it converts products into commodities'; he knows only *commodity*-value; he has in mind the exchange relations of people when he speaks of value as a 'relation of people to one another', but he resolutely shows that not the exchange relations endow the product [with] a labour value, but the social labour – in production. It cannot be said that the value of labour power is transformed into the value of a commodity, but it is 'perfectly

about content, only about relations of production or also about forces of production? Or was Sismondi perhaps not a classical political economist?

²¹⁷Marx 1985a, p. 28. [The word 'material' was added in the Russian translation.]

²¹⁸Marx 1976c [quoted in Bukharin 1979].

²¹⁹Lenin 1929. Emphasis by Lenin.

²²⁰Borilin 1929, p. 28.

²²¹[For example Marx 1987a, p. 263.] Marx 1986, p. 17.

²²²Marx 1976a, p. 165 [Finn's paraphrase].

correct to say that the "power" is transformed into value', we read in *Capital*.²²³ To 'those who consider the autonomization [*Verselbstständigung*] of value as a mere abstraction', – and this phenomenon is widespread among us [in Russia] now, – Marx replies, that 'the movement of industrial capital is this abstraction in action (*in actu*). Here value passes through different forms, different movements in which it is both preserved and increases, is valorized'.²²⁴ It can be asked, how this could be, how could value grow, were it only social, and not also material?

'Capital, as self-valorizing value, does not just comprise class relations, a definite social character that depends on the existence of labour as wage-labour. It is a movement [...]', – says Marx in the same place. This movement of value having become independent acts 'with the force of an elemental natural process'. It can be asked, how this could be if capital-value possesses not only a social, but also a material power? In fact it must be remembered that means of production can become capital – of course in the hands of people – only because they represent accumulated value, accumulated labour, social wealth, and not direct natural things; and they are social wealth because they are the result of human activity, producing value, and not only use value. Nature itself creates use value also without assistance of human labour, and nature – is not capital!

'In simple circulation, the value of commodities attained at the most a form independent of their use-values, i.e. the form of money. But now, in the circulation M-C-M, value suddenly presents itself as a self-moving substance which passes through a process of its own, and for which commodities and money are both mere forms' – says Marx.²²⁵

Is it not clear from this that both *commodity* and *monetary* value are *forms* of substantial value. The rejection of a materiality for value and its explanation solely as a social form opens wide the door to the *functional* theory of value in the sense, that value then is a product of any social function (and not only a function of labour in *production*). Then it is easy to roll down also to the explanation of value as a product of exchange, psychology, morality, law and other 'ideological' factors; then also paper [money] can have own value and gold gets additional [value] in exchange. This is also what Anderson, Mises and others do.²²⁶

When Marx says, that 'matter' does not *create* value, then by matter he understands the thing made by the hands of man, and immediate nature. And this of course is so. This was

²²³ [In 1921 Russian edition of Volume One, p. 161.]

²²⁴ Marx 1978a, p. 185.

²²⁵ Marx 1976a, p. 256.

²²⁶ [Anderson 1925.]

without dispute also for Smith and for Ricardo. Only vulgar bourgeois economy could claim the contrary. For the bourgeois *classics* and Marx the source of value – is human labour power. And Marx himself recognises, that 'the physical existence of labour-power, is a natural object, a thing, although a living, conscious thing, and labour is the physical manifestation of that power'.²²⁷ They will say that here he speaks about the process of labour from the side of matter, and not value; but does he not state – and in this we will be convinced below, – that the labour process that creates the use value and value – is one; and does he not state that 'value exists only in use values, in things'?²²⁸

The human labour power that creates value – is a social-natural power: as a physiological power it is material, as a human power it is also social. The *content* of labour, determining value and its forms, includes both elements: the amount of energy and the social character of its expenditure. Content and matter are not identical concepts, and this one does not distinguish. The fact that value cannot be held in one's hands of course is not an objection against its materiality. Abstract human labour – is labour from the viewpoint of its expended *energy*, and not an empty abstraction. And all energy – also human [energy] – is material...²²⁹

The erroneous view on political economy as science is closely related to that confusion which reigns among some Marxists about value and exchange value, the forms and content of social life, the 'natural' and historical laws of economy, the relation of society to nature, the productive forces to production relations, technology to economy, and so on. I have to dwell in detail on these cardinal issues in order to show that what is given for orthodox Marxism, in fact, is a vulgar interpretation of it. And for this it is best of all to counter-pose the common false views to the teaching of Marx *in his words*.

[T]he social production process [...] is *both* a production process of the material conditions of existence for human life, *and* a process, proceeding in specific economic and historical relations of production, that produces and reproduces these relations of production themselves, and with them the bearers of this process, their *material* conditions of existence, and their *mutual relationships*, i.e. the specific

²²⁷Marx 1976a, p. 310.

²²⁸ [No reference.]

²²⁹Modern physics teaches that energy has mass; with the loss of energy on radiation there is also a loss of mass. Mass is a determined amount of matter; mass is the concentration of a colossal amount of energy. The law of equivalence of mass and energy consists of the point that the loss of energy, for example during radiation in space, is equal to the loss of mass, multiplied by the square of the speed of light ($m = E / c^2$ according to Einstein).

economic form of their society. For the totality of these relationships which the bearers of this production have towards *nature and one another*, the relationships in which they produce, is precisely society, viewed according to its economic structure.²³⁰

Does Marx here speak not only about the relation of people to each other in social production, but also to nature, to things? Is the social production process *material* and at the same time a historical-economic process or not? Does it follow from this definition that according to Marx and Engels political economy studies the social relations of material production? For the thoughtful, impartial reader this one citation is sufficient for the correct answer to these questions. But the scholastics in the last years so clogged the brains of the studying youth, that a fundamental ventilation of them is necessary, and this cannot be done better than by the assistance of Marx himself, who as if foresaw that rubbish which is now imposed on him, and took preventive measures against it.

Here is one of the most instructive pages of *Capital*:

Just as the savage must wrestle with nature to satisfy his needs, to maintain and reproduce his life, so must civilized man, and he must do so in all forms of society and under all possible modes of production. This realm of natural necessity expands with his development, because his needs do too; but the productive forces to satisfy these expand at the same time. Freedom, in this sphere, can consist only in this, that socialized man, the associated producers, govern the *human metabolism with nature* in a rational way, bringing it under their collective control instead of being dominated by it as a blind power; accomplishing it with the least expenditure of energy and in conditions most worthy and appropriate for their human nature. But this *always remains a realm of necessity*... The real wealth of society and the possibility of a constant expansion of its reproduction process [will always depend on labour's] productivity and on the more or less plentiful conditions of production in which it is performed...²³¹

What to tell those utopians who believe that the transition to a planned economy already brings humanity into the 'realm of freedom [...], where labour determined by necessity and

²³⁰Marx 1981, p. 957.

²³¹Marx 1981, pp. 959, 958.

external expediency (what is denoted in Marx: "natural necessity or social responsibility") ends...'²³² 'The true realm of freedom, the development of human powers as an end in itself', – Marx teaches, – 'lies by its very nature beyond the sphere of material production proper'. [... T]hough it can only flourish with this realm of necessity as its basis' (that is, social control and reduction of the working day). But political economy has to do exactly *with this social material production, with this realm of economic necessity* and therefore as science will remain in all the social formations, which we can now scientifically foresee...

2. On the role of use value

The remark thrown in *A Contribution to the Critique* by Marx that 'use value as such, lies outside the sphere of investigation of political economy' and that 'information on goods may be found in manuals dealing with merchandise', is usually given, especially by our students and teachers as proof, that political economy does not care about the *material* side of the process of production, which, they say, relates to technology.²³³ Such a conclusion is radically erroneous, if one further considers, that Marx's determination of value and use value – is without any flaw. Marx distinctly in that same place himself writes, that 'use value [...] lies outside the sphere of investigation of political economy [insofar as it is indifferent] to the determined economic form', but '[use value] belongs in this sphere [...] when it is itself a determinate form'.²³⁴

There is no need to prove that according to Marx use value has great economic significance and that he assigns to it many places in his system of theoretical economy. Let us illustrate this by some examples. What does the formula $I (v + s) = II c$, which is also given by Lenin, signify? It does not only concern values, but also use values, namely means of production in the first department and personal consumption – in the second. 'It becomes important when considering the actual process of reproduction, partly in order to understand its forms, and partly in order to grasp the influence of luxury production, etc., on reproduction. Here is another example of how *use value* as such acquires economic significance'.²³⁵ In the capitalist system commodities depending on their function as a use

²³²Marx 1981, pp. 958–9.

²³³Marx 1987a, p. 270. This view was grounded by Hilferding, whose disciples the scholastics are. 'A use value is an individual relationship between a thing and a human being, – he writes. – The object of political economy is the social aspect of the commodity [...] On the other hand, the natural aspect of the commodity, its use value, lies outside the domain of political economy' (Hilferding 1949, pp. 131, 130.).

²³⁴Marx 1987a, p. 270.

²³⁵Marx 1989c, p. 386. Emphasis by Marx.

value in the process of material production are served [either] by fixed or circulating capital... What do you say about the use value of the commodity labour, creating value and surplus value; does the political economy of Marx speak about it or not? Have our latest Marx commentators heard anything about the role of raw materials in the world economy in the imperialist stage of capitalist production? Is it a matter of indifference whether to export manufactured goods or agricultural products, whether to cultivate heavy or light industry? Or are these all questions related to 'technology' or to 'commodity research'? Or, maybe, it is of interest only for bourgeois economy?

Why is there such a confusion not only in the heads of students, but also of teachers? – Because Marx in his counter-position of the commodity as use value to the commodity as value emphasised in the first the natural form, in the second – the social form. And since the commodity as a material thing as such in its natural form is an object of technology, then from here also is deduced that the commodity as a use value, which certainly also has a social-economic character, does not relate to economy. It is necessary to know that production, distribution, exchange and consumption – are parts of one common goal, that between them there is interaction, but production dominates, and that all these moments are included in the circle of the research process in capitalist reproduction. And when I with the goal of eliminating inconsistencies in Marx, and with it also the confusion in the heads of the 'little ones'²³⁶ point out, that use value is not the simple natural form of the product, but possesses also social properties, and that exchange value is not only a social, but also a material power, then cries are raised that this is 'classical anti-Marxism', that this is 'hostile anti-Marxism'.²³⁷

3. Universal and historical laws and categories

Dialectical materialism teaches that economic categories merely reflect the movement of the social world, nested within the physical world (man lives in a double environment).

²³⁶[Matthew 18:6.]

²³⁷Our ostensible dialectical materialists do not see that from the very fact that use value – is the condition for creating value, arises, that the labour, creating exchange value, – is the same concrete labour, only considered not from the side of its special social-useful properties, but from the general social-material features. There are 'philosophers', who consider it incomprehensible, how this value objectification can also be material. They represent the issue to themselves as if value is some kind of mystical social entity that is plucked from one use value and clings to another. They do not see that value remains connected with use value until the destruction of the latter, that its objectification also is possible only because the use value of the equivalent [that is money] has an own value.

Both these worlds change, but especially the social world. And of course 'ideas [and] categories are as little eternal as the relations they express'.²³⁸ But this has become an elementary truth among Marxists; the question [actually] reads, whether all social relations of material production die together with the given historical form and whether there are no differences in these relations also in such an antagonistic formation, like the capitalist one? 'Political economy is [...] essentially a historical science', justly writes Engels. 'It deals with material which is historical, that is, constantly changing; it must first investigate the special laws of each individual stage in the evolution of production and exchange, and only when it has completed this investigation will it be able to establish the few quite general laws which hold good for production and exchange *in general*'.²³⁹ And neither Marx rejects this. He fears only that on account of these common laws are forgotten the specifically historical ones, which distinguish one epoch from another, which also characterise progress or regression, and he fears that apologists of the bourgeois system in such a way consciously erased the historically transient laws and turned the laws of the capitalist world into universal ones. And Marx is so far from a negation of the common moments, that, outlining the program of his work, he writes, that '[t]he arrangement has evidently to be made as follows: (1) The general abstract determinations, which therefore appertain more or less to all forms of society, but in the sense set forth above. (2) The categories which constitute the internal structure of bourgeois society and on which the principal classes are based...'.²⁴⁰ This plan he later changed, not wishing, as he himself explains, 'to anticipate results which still have to be substantiated, and [he decided] to advance from the particular to the general'.²⁴¹

Vulgar Marxists do not understand that it is one thing – and the sole correct thing – to acknowledge the existence of universal laws beside particular historical ones, manifested differently in various historical epochs, it is another thing – to transform particular historical laws into universal ones, and it is a third thing – to acknowledge only historical laws. If the second view is characteristic for bourgeois economy, then the last – is common place among Marxists, which does not hinder it to be also erroneous. One cannot represent the issue so, that somewhere exist a pre- and supra-historical society, abstract, logical categories like Platonic ideas, which in Hegel-like fashion develop historical action. In fact these common simple categories exist only in historical concrete setting and develop

²³⁸Marx, *The Poverty of Philosophy*.

²³⁹Engels 1987a, pp. 135–6.

²⁴⁰Marx 1986, p. 45.

²⁴¹Marx 1987a, p. 261.

together with the changes of this environment. But this does not hinder, that simple categories, abstracted from complex concrete life conditions, existed independently in a more simple concrete situation.

Since dogmatists and scholastics scream ever more persistently that the whole issue lies in the form of social production, and its material content – is a mere trifle, then we will dwell in detail here on one problem, which is not only of pure theoretical interest. The question is on the relation of money capital to production. Whatever the forms of the social process of production, – Marx teaches, – it always consists of workers and means of production. The question boils down to *how* both these factors for production are united; this determines the economic structure of society in a given epoch. Capitalism, as is known, differs from the formations preceding it in history by the powerful development of technology and organisation of the labour process. This organisation is not only technical, but also economic. And in the bourgeois world, where the link between workers and means of production is value as *capital*, the development of production 'in its absolute bounds' does not depend on the size of the invested *money capital*. So:

1. Labour-power with a certain rate of payment may be more or less severely exploited, both extensively and intensively. [...]
2. The natural materials which are exploited productively (and which do not form an element of the capital's value), i.e. soil, sea, mineral ores, forests, etc. may be more or less severely exploited, in extent and intensity, by greater exertion of the same amount of labour-power, without an increase in the money capital advanced. In this way the real elements of productive capital can be increased without the need for additional money capital. In so far as the latter is needed for additional ancillaries, then the money capital in which the capital value is advanced is not increased in relation to the increased effectiveness of the productive capital, i.e. again not at all proportionately.
3. The same means of labour, i.e. the same fixed capital, may be used more efficiently without an additional outlay of money for fixed capital, either by prolonging their daily use or by raising the intensity of their application. There is then only a more rapid turnover of the fixed capital, but this also means that the elements of its reproduction are supplied more quickly.
4. Apart from natural materials, natural forces that cost nothing may also be incorporated more or less effectively as agents in the production process. Their level

of effectiveness depends on methods and scientific advances that cost the capitalist nothing.

5. The same applies to the social combination of labour-power in the production process, and to the accumulated skills of the individual worker. [...]

6. The increase in the productive forces of labour, in so far as this does not rest on any additional outlay of capital value, increases in the first instance only the quantity of products, and not their value, except to the extent that it enables more constant capital to be reproduced, and its value thus maintained, with the same amount of labour. However, it also forms extra *material for capital*, and thus provides the *basis for an increased capital accumulation*.

7. In as much as the organization of social labour, and therefore the heightening of the social productivity of labour, itself requires production on a large scale and hence the advance of money capital in great quantities by individual capitalists, [we have already shown ...] how this happens partly as a result of the centralization of capitals in a few hands, without any absolute growth in the volume of capital values in operation, and nor therefore in the volume of money capital through which they are advanced.

8. [... A] reduction in the turnover period enables either the same productive capital to be set in motion with less money capital, or more productive capital to be set in motion with the same money capital. [...] It simply indicates that the capital advanced – a given sum of value which, in its free form, its value form, consists of a certain sum of money – contains, once it has been transformed into *productive capital*, productive powers whose limits are not given by the bounds of its own value, but, within a given field of action, can operate differently, both in extent and intensity[, that is,] the scale on which this capital operates to form values and products is elastic...²⁴²

Do these moments listed here by Marx have no significance for any other forms of social relation of material production except the capitalist one? Does Marx not point out here on the contrary the moments which are based on the general foundations of the material process of production irrespective to its bourgeois social form and which only are used in this specific formation in the interests of the capitalist class? – We think that it is

²⁴²Marx 1978a, pp. 431–3.

impossible to deny the significance of these moments for at least also the economy of the transition period.²⁴³

4. Production relations and productive forces

The Scholastics are trying in every way to separate in Marx the social process of material production from the social relations of production. Efforts in vain. 'The production process, considered as the unity of the labour process and the process of creating value, is the process of production of commodities; considered as the unity of the labour process and the process of valorization, it is the capitalist process of production, or the capitalist form of the production of commodities'.²⁴⁴ What however, is the connection between the process of labour – technology, and the process of formation of value – economy? Are not in Marx both processes a unity, having only two different sides? If yet more proof is necessary, then read the chapter about 'The General Law of Capitalist Accumulation'.

The composition of capital is to be understood in a twofold sense. As *value*, it is determined by the proportion in which it is divided into constant capital, or the value of the means of production, and variable capital, or the value of labour-power, the sum total of wages. As *material*, as it functions in the process of production, all capital is divided into means of production and living labour-power. This latter composition is determined by the relation between the mass of the means of production employed on the one hand, and the mass of labour necessary for their employment on the other. I call the former the *value-composition*, the latter the *technical* composition of capital. There is a close correlation between the two. To express this, I call the value-composition of capital, in so far as it is determined by

²⁴³Such are the 'normal' methods of amplifying the action of productive capital, and with this also accumulation. – We did not dwell here specially on the newest methods of rationalisation of production. – But we do not limit ourselves to the capitalist economy ... The apologetic bourgeois economy strongly promoted in the war and post-war time the capital accumulation, the accumulation of means of production and through saving, abstinence, simply put: malnutrition, underconsumption of the wide mass of the population... The transition period to socialism does not at all require abnormal methods: the increase of the means of production can go together with the increase of mass consumption with the help of proportional use of inherited, accumulated means of production, and with a lack of them – through increased use of existing living labour force for a more extensive and intensive exploitation of the natural resources of additional industry and agriculture. The history of the development of capitalism in the United States in the latter case is instructive, the influx of vigorous people and capital from the outside only strengthened the pace of development; in the same direction acted also the principle of protectionism (let us recall the review of Engels), but the *pace itself* was in connection with the chosen, although also spontaneous, but rational, *line* of the movement.

²⁴⁴Marx 1976a, p. 304.

its technical composition and mirrors the changes in the latter, the *organic composition of capital*. Wherever I refer to the composition of capital, without further qualification, its organic composition is always understood.²⁴⁵

And after this the commentators, who say that Marx, who studies in his *Capital* the laws of capitalist production, is not interested in the material side of this production!

Remember: here with striking clarity is indicated how the value composition of capital (economy) is determined by the technical composition, reflects the change in *technology*, material content.²⁴⁶ Marx [according to the Scholastics], you see, is not interested in the material content of social relations of production, but only in their form, whose origination in the Scholastics is unknown, since form by itself of course does not give rise to form. Marx is not interested *how* and *why* these social forms of production arose from their material conditions. Marx, you see, is entirely absorbed by the exchange relations of capitalist economy. And such fables are told to us about Marx, by those who say that this 'is typical of the bourgeois horizon, [...] where business deals fill the whole of people's minds, to see the foundation of the mode of production in the mode of commerce corresponding to it, rather than the other way round'.²⁴⁷

What are social production forces? Also on this account reigns supreme confusion among our idealists and mechanists. Bukharin refers to *The Poverty of Philosophy*, where, by the way, Marx in pure issues of theoretical economy still is little independent – it is sufficient to indicate, that he in the theory of money there repeats all the mistakes of Ricardo, which he later himself rejected. But this here is not important. 'By productive forces, – says Bukharin, – Marx evidently means here the material and personal elements of production and, as a corollary of this, the category of the productive forces is a technical and not an economic one'.²⁴⁸ On this Lenin remarks: 'The "corollary" is directly wrong because the "personal" (an inaccurate term) is not a "technical" [category]'.²⁴⁹ We only just have seen, that in Marx productive force from the side of material production – is technology, from

²⁴⁵Marx 1976a, p. 762.

²⁴⁶ 'The quality that gives a part of the capital value spent on means of production the character of fixed capital, lies exclusively in the specific manner in which this value circulates. This particular manner of circulation arises from the particular way in which the means of labour gives up its value to the product, or acts to form value during the production process. This in turn arises from the special way in which the means of labour function in the labour process' (Marx 1978a, pp. 239–40). Here before us again is an illustration how *technology* influences economic relations.

²⁴⁷Marx 1978a, p. 196. Also here the source of wisdom of our Scholastics is the same Hilferding (1981, p. 28), according to whom: 'The task of theoretical economics is to discover the law which governs [...] exchange'... Not different than Cassel, in whom 'economic study is mainly the theory of prices' [no reference]?

²⁴⁸Bukharin 1979, p. 120.

²⁴⁹Lenin 1929.

the side of value – economy, but also herewith, that is from the side of production material, productive forces consist in him of means of production and of people, wherewith he relates to the first [part] both the purely natural means and the means amended by human labour: machines, raw materials; to this relates also tamed working cattle. Man as a *technical* force Marx separated, but still more he together with classical economy distinguished human labour force from animal force as *economic* productive force. Only human *productive* force creates value both in the classics and in Marx. But not every human productive force creates the value, even if it would create a use value. That is why Smith and Ricardo consider productive human labour force [or power] in the commodity world to be that force, which creates value, while in the capitalist world – surplus value. What solves the question whether this human labour creates value or not? - '*Content*', – responds to this Marx. But this answer deserves special consideration, which we will do later. Now about something else.

'The concept of a productive worker therefore implies not merely a relation between the activity of work and its useful effect, between the worker and the product of his work, but also a specifically social relation of production, a relation with a historical origin which stamps the worker as capital's direct means of valorization', – says Marx.²⁵⁰ In this way man as a social productive force, the worker – is an *economic* category in the double sense: he is a productive force as creator of use value and as creator of value; he at the same time also is a *technical* force as an active part in the process of production from the side of matter.

Our Scholastics know that productive forces are social forces. And they in every possible way try to show that according to Lenin productive forces – are not technology, which he does not assert. Productive forces relate both to technology and to economy. The latter covers not only human labour force, but also material means of production. That machinery is not only a means of production in the capitalist system, but [is] also fixed capital, [and that] working livestock – are means of production and fixed capital, – is indicated twice in volume two of *Capital*. Vulgarizers of Marx do not see that a factory has to be seen also in a socialist economy not only as a technical organisation, but also an economic one. They tear off the economy from technology, society – from nature, use value – from exchange value...

Marx had in mind to consider specially the dialectic of the concepts: productive power (means of production) and relation of production, 'a dialectic whose limits have to be

²⁵⁰Marx 1976a, p. 644.

defined and which does not abolish real difference'.²⁵¹ But he did not do this as a connected whole. Let us therefore consider what content Marx invested in these concepts on the basis of definitions elaborated by him in various places.

Marx often speaks of 'material' productive forces in the narrow sense. He relates to them direct natural forces: earth, water, wind, forest, fish and mediating natural forces, processed by human hand: tools, all kinds of machinery; to this he relates also *working cattle* tamed by man. To these means of production and (in)²⁵² the process of production from the side of matter, Marx counter-poses human productive force. This of course must be accepted with reservation, since man is also an animal, although a social animal, and the energy expended by him – is material. And, as we have seen, Marx is conscious of this. But the opposition of man to the whole rest of nature, immediate and changed by him, is explained by the fact that Marx, as we have already noted, justly considered only human productive power [to be] the generator of value. Marx therefore in one place reproaches Smith, that he closes to himself the road to the role of labour force in the creation of surplus value, [by] setting on one board the worker and his working cattle, naming also working cattle as productive worker. However, if in the sense of creation of value and surplus value there cannot be another source of value than human labour force, then there is no *such* difference between immediate and mediated nature and man in the sense of the creation of use values: nature creates use value also without mediation of human labour forces. In respect to production of use value human productive force is differentiated in Marx, that it is the '*active*' force: 'labour is the father of material wealth, the earth is its mother', – Marx quotes William Petty.²⁵³

5. Technology and economics

Bukharin was clearly confused in the consideration of the relation of productive forces to technology and the relation of technology to economy. Lenin also observes this, but himself does not give a solution in the 'Marginal Notes'. Let us remind once again, that political economy is occupied not only with the process of production of value, but also of use value, and this in all social formations; it studies not only production relations but also the development of productive forces, objective and subjective [forces]. Insofar as the social

²⁵¹Marx 1986, p. 46.

²⁵²[We put this word in brackets, as it seems likely it should not have been printed here.]

²⁵³Marx 1976a, p. 134.

process of production is the production of use values, it is not only a technical process (the process of application of chemistry, physics, physiology and other natural sciences, the process of production of products in their natural form, as matter), but also an *economic* process, insofar as it produces products of social use. This same process of production of use value is an *economic* process, insofar as it is considered also from the side of production of value, that is expenditure of labour in general; this also in a socialist economy. So, the process of material production from these two economic sides also is in the domain of economy, and not technology. For the process of production of products in a given company a *technical* director is needed, for the production of this product as a product that fulfils a social use, and the expenditure of a determined quantity of living and accumulated social labour required for this has need of an *economic* director (the term 'commercial director' recalls trade, requiring economisation also due to the bulk of *faux frais*, meanwhile an economic director will also be needed when there is no trade, to guide the company from the viewpoint of coordination of work in it with the general plan of work in this industry and in others)...

Technology and economy are different sides of one and the same process, both sides are social. Technology is the result of long-term social collective experience, of 'general' labour, – Marx points out. He distinguishes the *natural* technology, inherent in both plants and animals, and the *social* [technology] – of man, in the sense that plants and animals improve their own organs as tools of production of their life, [whereas] social man uses material organs, invented by him. His productive activity depends not only on the development of abilities, accumulated in society, the virtuosity and dexterity of labour, but also on the material tools which he owns. Marx, I repeat, singles out man as a personal productive force (hence the apparent term 'personal' of Bukharin, which was not to Lenin's liking), in, antithesis to material means of production. Man creates his life and his history and in this he differs from the rest of the animal world, – says Mark after Vico, although this creativity does not depend on his sole will, but also on the general conditions in which he is located. 'Technology, – Marx indicates, – reveals the active relation of man to nature, the direct process of the production of his life, and thereby it also lays bare the process of the production of the social relations of his life'.²⁵⁴ The impact of social man on nature causes the accumulation and development of productive forces. The change of objective material productive forces affects the social relations of people in the production of material goods (a process that is as technical as economic). Production relations are not

²⁵⁴Marx 1976a, p. 493.

limited only by property relations: there are *social relations* of the material production, which arise from the conditions of material production, *but [which are] related with this or another historical social form of it*. The division of labour, the coordination of labour and so on – is an economic form, not at all necessarily connected to capitalist relations of property. Marx points out that 'all directly social or communal labour on a large scale requires, to a greater or lesser degree, a directing authority', certain hierarchical relations. 'The work of directing, superintending and adjusting becomes one of the functions of capital'.²⁵⁵ But from this, that these economic functions acquire specific traits in capitalist economy, it does not follow yet, that they are proper only to this system. And still one more example: a *stock* of means of production and means of subsistence – is a necessary condition of economic life of any social formation, and not only of commodity production. 'Adam Smith confused stock of means of production and means of subsistence with *commodity* stock. [...] This is a childish misunderstanding' – notices Marx.²⁵⁶ We are also here thus convinced that according to Marx along with specific, historical, economic categories there exist also common features, inherent to different social formations...

The accumulated, developed, objective and subjective productive forces and the on their basis emerging new social relations in production also constitute the 'pregnant old society', and that force – the midwife – is called upon during childbirth for careful safeguarding, otherwise with the mother will die also the offspring. The accumulation and development of 'material organs' enters as a necessary part of 'the primary factor', the point of departure [of development], which – itself 'is the result of a process of [historical] development', – emphasises Marx.²⁵⁷ This is clearly seen also in a detailed letter of Marx to Engels (28 January 1863):

[T]here can be no doubt that the industrial revolution originates, not from motive power, but from that part of machinery called the *working machine* by the English, i.e. not from, say, the use of water or steam in place of the foot to move the spinning wheel, but from the transformation of the actual spinning process itself, and the elimination of that part of human labour that was not mere *exertion of power* (as in treadling a wheel), but was concerned with processing, working directly on the material to be processed. [...] To those who are merely mathematicians, these questions are of no moment, but they assume great importance when it comes to

²⁵⁵Marx 1976a, pp. 448, 449.

²⁵⁶Marx 1978a, pp. 217–8. [Paraphrased.]

²⁵⁷Marx 1989c, p. 427.

establishing a *connection between human social relations and the development of these material modes of production* (emphasis of A. F.-E.). [...]

The industrial revolution began as soon as mechanical means were employed in fields where, from time immemorial, the final result had called for human labour and not therefore—as in the case of the above-mentioned tools— where the actual material to be processed had never, within living memory, been directly connected with the human hand; where, by the nature of things and from the outset, man has not functioned purely as *power*. If, like the German jackasses, one insists that the application of animal *powers* (which is just as much voluntary motion as the application of human powers) constitutes machinery, then the application of this form of locomotor is far older than the simplest of manual tools in any case...²⁵⁸

From what has been said it is clear how different the concepts of productive forces, production relations, technology and economy and their interrelation in Marx are, from the interpretation of the last years among us [in Russia] of the doctrinaires of various stripes. And this should not surprise us. Involuntarily we remember the golden words of Lassalle, written by him to Marx on perusal of *A Contribution to the Critique*:

To understand your book, two conditions are required in the highest degree: first, complete mastery of philosophical thought in its highest level and, second, the closest acquaintance with the system and history of political economy. Even if someone meets the first condition, he will nevertheless understand nothing if he has not also full acquaintance with the matter of political economy, since you make the latter such a direct substratum of the exposition, that the reader without accurate knowledge of this matter often does not even notice what issue is being discussed. [...] Your exposition is everywhere plastic, that of an artist who does not oppose himself to the matter as object, but has it as a substratum, as an element in which thought freely moves.²⁵⁹

In the reply-letter Marx recognised this is as the opinion of a 'competent judge'.²⁶⁰

²⁵⁸Marx 1985b, pp. 449–50, 451.

²⁵⁹Lassalle 1902, pp. 280–1. [Our translation. In 1905 Finn was the editor of the Russian translation of Lassalle's letters to Marx and Engels (pp. 374).]

²⁶⁰Marx 1985b, p. 193.

6. A few methodological remarks. Value and exchange value

The historical-genetic process confirms the correctness of the logical-deductive conclusion that in quantitative relations of commodities to each other and of commodities to money are expressed the absolute value of commodities and money, absolute in the sense of their relations to labour. If small producers, who led a subsistence economy and exchanged only with the surroundings, knew the value of the products of one's own and another's labour, then with the advent of metal money, most often of foreign origin, means of exchange of international trade, and especially with the advent of the merchant had erased from view the relation between the value of a product and labour, to which Engels rightly points.²⁶¹ In other words, in place of the *internal* measure of living labour practice taught to measure value by an *external* measure, money, and see in it the decisive instance, that is an *internal* measure. And this was so absorbed in consciousness, that still at present there are theorists, when considering the 'worldly magnitudes', who argue that labour as an internal measure – is scholasticism, that there is also no value, but only money and prices. Others recognise the existence of value only as a hypothesis. And this is because value does not manifest itself directly in the capitalist process of production and does not live in the consciousness of capitalists. It is easy enough to show that people very often see things and phenomena in distorted form: Molière's hero did not even knew that he was speaking in prose... The task of science here also lies in the discovery of the inner essence of phenomena, their internal connection, and reveal why one or other phenomenon of the real world, physical and objective, is reflected in the minds of people in distorted form. And as our vulgar Marxists have no idea about what the relation is of human consciousness to social being, and consider any reference to the role of consciousnesses as subjectivism, – they are also real mechanists, because in them the social world moves without people, – then we will point out to them, how Marx explained [to] Bailey that by 'consciousness' – as he translates the English word *mind*, – it is necessary to understand persons exchanging commodities.

[According to Bailey], the cause of [...] value [are] circumstances which influence the "mind" of those engaging in exchange. These same circumstances (independent of the mind, but influencing it), which compel the producers to sell their products as

²⁶¹[See supplement of Engels in Marx 1981.]

commodities – circumstances which differentiate one form of social production from another – provide their products with an exchange value which [...] is independent of their use value. Their "mind", their consciousness, may be completely ignorant of, unaware of the existence of, what in fact determines the value of their commodities or their products as values. They are placed in conditions which determine their reasoning [i.e. mind] but they may not know it. Anyone can use money as money without necessarily understanding what money is. Economic categories are reflected in the mind in a very distorted fashion.²⁶²

So, when we say that value is a reflection in the consciousness of people of expended human labour, we reveal the true essence of things, like if circumstances did not obscure, did not distort the correct assessment of it by people. For me [Finn-Enotaevsky] value is not only form and not only content, but content and form *as a whole*. I hold firmly to the materialist method of Marx, when in analysis of reality I disclose the true root of value, which consists in 'the transposition of labour-power into labour'.²⁶³ I show that practice induces in people a consciousness of value, regardless of whether they know, have forgotten about this, or do not know or recognise this; and this is not one and the same as dressing in scientific uniform the vulgar representations of the agents of exchange themselves. Entirely different is the situation in economists of Cassel's persuasion or in the subjectivists of various kinds: to them are also applicable the apt words of Marx, that 'Bailey transfers the problem into the mental sphere, because his theory has nothing further to offer. [...] Instead of explaining what he himself understands by "value" (or "*cause of value*") Bailey tells us that it is something which buyers and sellers imagine in the act of exchange'.²⁶⁴ My critics in similar manner heard a ringing, but do not know where it is...

Marx in his *Introduction to A Contribution to the Critique of Political economy*, which our old and young Scholastics are unable to diligently cite, points out, that

It would therefore be inexpedient and wrong to present the economic categories successively in the order in which they played the determining role in history. Their order of succession is determined rather by their mutual relation in modern

²⁶²Marx 1989c, p. 348.

²⁶³Marx 1976, p. 323, note. [F.-E. here quoted without reference: 'the transformation of human labour power into *value*', which is probably just an error.]

²⁶⁴Marx 1989c, pp. 348–9.

bourgeois society, and this is quite the reverse of what appears to be their natural relation or corresponds to the sequence of *historical* development. The point at issue is not the place the economic relations took relative to each other in the succession of various forms of society in the course of history [...], *but their position within modern bourgeois society*.²⁶⁵

Such was the goal that Marx set himself first, trying to disclose the peculiarities, characterising bourgeois social organisation. And this was certainly important: these peculiarities and characteristics for any organism, not only social, but also natural.

'The usual device of the Spencerian method', – Bergson indicates in his *Creative Evolution*, – 'consists in reconstructing evolution with fragments of the evolved. [...] Such, however, is Spencer's illusion'.²⁶⁶ To this let us remark: if Spencer thinks in this way to prove the real historical development of the complex from the simple, then he is mistaken. Insofar as he has in mind the explanation of complex phenomena, reconstructing them from simple elements, which are obtained through analysis of complex forms, then this device is scientifically correct. But then still the question remains: are the simple elements taken for the starting point, really primary. Analysis of complex, in which the simple enters, already changed, is not defined fully by the simple, from which the complex emerged and developed over time. The logical genesis requires as addition, as a verification, the historical [genesis].

The complex living or vegetative organism consists, as is well known, of cells, which are differentiated and organised in tissue according to the functions they perform. Modern natural science – experimental biology – was able to experimentally study the life of differentiated tissue *outside* the body. It turned out that differentiated cells can continue to live, if they are supplied with nutrient media, are cleared from their waste and protected from harmful bacteria. They, however, lose their differentiated form and continue only to multiply and grow. The experiment showed, that if you put these cells again into conditions that force them to work, they again take the previous organised form. What does this prove? – The fact that in the physical world we have elements that together with general also possess specific differentiated features. And these once acquired differentiated properties do not vanish entirely also with the degradation of complex cells. Outside, the

²⁶⁵Marx 1986, p. 44. Emphasis mine (A. F.-E.).

²⁶⁶Bergson 1911, p. 364.

primitive cells still remained differentiated, and did not take the primary simple organisation.

Marx, as is known, calls the commodity the elementary cell of the bourgeois organism, although of course he knows that the social organism – is not a living one, that the physiology and anatomy of bourgeois society – is not one and the same, as the physiology and anatomy of an animal or vegetable organism. In biology, – he says, – the microscope is the tool of research, here – it is the power of abstraction.²⁶⁷ All this of course is an analogy for illustration, and not a proof by analogy. (This is a note for those who will not fail to blame me of 'Spencerism' and so on.) So the analysis of the commodity cell also led Marx to value as the main property of it. And since the commodity possesses the property of being exchanged, then Marx naturally attributed this property [to] *value*. In fact, in front of [the mind of] Marx was already the complex-differentiated cell, and not the simple [cell], and value in this commodity-cell was already not merely [one] with its primitive properties, but also with the property of being exchanged, that is value here already had exchange power. If Marx had turned to the elementary cell of a more primitive social organism, to analysis of products of a primitive natural economy, then he would have found that also here the product of labour has value. In places he also touches the pre-commodity world and then says, that people always were interested, what the production of means of subsistence 'was worth'; and that also after the disappearance of the commodity world people will be interested in this 'value'. That he instead of *Wert* uses then the term *Kost*, does not change the point...

Marx analysed the *commodity*, he found in it value, possessing exchange power. Therefore he upbraids the classics and, in particular, Ricardo, who discovered that the substance of value – is labour, abstract human labour, for the fact, that they did not disclose what [sort of] labour makes the value [an] *exchange*[-value]. Marx considers his merit, that he showed which characteristic features abstract labour must have, to produce exchange value. We can only in passing here touch the question how true the claim of Marx is, that the labour, creating exchange value of a commodity, possesses the property of abstract-*general* social labour. In our opinion this labour possesses only the property of abstract-social, which is one and the same.²⁶⁸ We allow ourselves to think that only the development

²⁶⁷See Marx 1976a, p. 90.

²⁶⁸The term *general* labour has a different meaning. General can mean the *same* for everyone – this is a general market value. In the sense of sameness it is contrasted with the individual concrete, having a special feature, abstract labour as *general*, having the same features in all concrete types of labour. The first creates use value, the second – value. From this concept distinguishes the general labour as *aggregate* labour of society: individual labour, creating commodity value, there is a *part* of such total aggregate labour of society; but this general labour it does not directly represent. General aggregate labour represents only the money

exchange relations, unfolding exchange value in the sphere of exchange gives the ability of labour, enclosed in the commodity and endowing it exchange power, to *turn* into *general-social* labour. But it also then is not directly general-social, but only becomes it through equation in exchange for the labour of the excluded commodity, [that is] the monetary [commodity], the labour of which also only possesses this property. In the developed commodity world, the capitalist one, which Ricardo and even more Marx had before themselves, commodities enter into turnover already with prices, that is with a money stamp. But also this stamp, put on the product already in production, all the same does not yet make the commodity-value directly the general social form, – it becomes such only *in spe*, ideally, and this through equation to money, by itself it directly is only social; the general-social form of value is only the monetary commodity – today gold.

In *A Contribution to the Critique* Marx takes the commodity-value in the developed already relative form and endows also labour, creating it, the features of developed abstract labour, and moreover the features of labour, creating the *monetary* form of value. In *Capital* he begins analysis with the simplest formula of relative value and sees in it already 'the germ of the money-form'.²⁶⁹ In short, having found the commodity-value already in the complex form, he vests these features of value of the commodity in the most primitive situation of exchange; true, these traits for him here are still *in nuce*, in an embryonic state. Let us assume that this is theoretically impeccable, although between commodities, which just hatched from products of exchange, and commodities, as the product of capital, the historical distance is of a huge size. Marx himself tells us hundreds of times, that the commodity – is not money, that commodity exchange not only by form, but also by essence differs from commodity circulation; that simple commodity circulation not only by form, but also by essence differs from capitalist commodity circulation; that about the social character of production cannot be judged based on the commodity form which the product takes in exchange.²⁷⁰ Therefore it is necessary to take Marx's note in a letter to Engels that the simple formula of relative commodity value 'embodies the whole secret of the money form, and thereby, *in nuce*, of all bourgeois forms of the product of labour',²⁷¹ *cum magno*

commodity. Finally, general labour can be understood in the sense of 'directly collective', 'directly cooperative', as within the factory and in the patriarchal family; then it has the meaning of socialised. Such labour in the economy at a national scale we call *general socialised*.

²⁶⁹Marx 1976a, p. 163.

²⁷⁰Thus, Marx himself points out: 'Whether the commodities are the product of production based on slavery, the product of peasants (Chinese, Indian ryots), of a community (Dutch East Indies), of state production (such as existed in earlier epochs of Russian history, based on serfdom) or of half-savage hunting peoples, etc. - as commodities and money they confront the money and commodities in which industrial capital presents itself' (Marx 1978a, p. 189).

²⁷¹Marx 1987b, p. 384.

grano salis, with a large reserve... In the bourgeois period of production the commodity – is the main form of wealth, but 'in pre-bourgeois eras also products assumed the form of commodities and commodities that of money', – we read in the same Marx.²⁷² All the more legitimate is the question, how could it be that the commodity – a product of labour – had nothing to do with the labour, creating value, with the product of labour of the pre-commodity world?²⁷³

It is absolutely clear, that if value is a property only of the commodity, and the commodity is the cell only of the bourgeois world, then there cannot be any value in the socialist world, where the product is not a commodity. It is absolutely clear, that if value turns the product into a commodity, that is possesses the features of exchange value, then also social labour, creating value, possesses the corresponding character. But value must not at all necessarily be exchange [value], product must not at all necessarily become commodity, general order does not at all necessarily be the money commodity. Also in *pre-bourgeois* formations, that knew the product as commodity and money, the *dominant* form of value was not exchange value, but *value*. Only in the *bourgeois world the ruling* form of labour is labour, creating *exchange* value.²⁷⁴ Us interest not only in historical specific features of *this* labour, but also what nature of labour that creates value, and what form, in the transition period to socialism and in the socialist economy. And conversations about the fact that then there will be no exchange value or, that it will not be ruling, to brush aside these questions it is impossible. We are interested in *history* order of social economic categories; we try to disclose the main features of labour, creating value in general, and not just its exchange

²⁷²Marx 1987a, p. 298.

²⁷³If one says that use-value at a certain stage of social development 'becomes' value, [becomes] exchange value, as Marx does, criticising Gray, then this can be interpreted in the sense that use value becomes the source of exchange, that is that labour in its quality as a producer of use value begins to create also exchange value. But this would be tantamount to the funeral of the theory of labour value. If one says that the labour, invested in a product, in a commodity, *at once* acquires the property of being labour creating exchange value, of being also abstract labour, then the question arises, did people prior to this never put their labour into anything in the sense of its expenditure. Did they live in the natural world as in paradise? Marx of course does not think this: he, as we saw above, himself recognises that people under all conditions are more or less interested how much labour the production of means for life costs them.

²⁷⁴For Marx, let us repeat, value and exchange value – are identical concepts. If he differentiates these concepts, then this is in those cases, when he considers exchange value as the relative form of exchange value, while value as its absolute form; [and] when he denotes exchange value as value outside its actual functioning in exchange or has in mind the expression of a determined quantity of value, the magnitude of value in a product. But it is entirely clear that there cannot be any difference between the value of a commodity and exchange value for Marx in essence: value in him possesses exchange power. For me [Finn-Enotaevsky] exchange value and value – are not one and the same; value – is not always exchange value, but exchange value – is always value. Exchange value is already a differentiated form of the universal form of value, which takes specific forms in different epochs; these forms in their turn take new forms. Thus, the exchange value of a commodity turns into money, this – into capital, and this in connection with the change of the content of value.

form; we begin therefore with the primary form of expenditure of human labour in society, in order to follow all further forms of its social development up to socialism...²⁷⁵

It has become a common place both in the foreign, and in our Marxist literature, that 'solely in conjunction with a definite mode of social organization of the process of production does labor create value'.²⁷⁶ And this undoubtedly corresponds to the view of Marx. But also the viewpoint defended by me does not contradict the doctrine of Marx, on the contrary, a whole number of places in him confirm it. So, when Marx in volume three of *Capital* following Richard Jones shows the evolution of labour rent into rent in kind, and the latter into monetary rent, then what else does this show than the evolution of *value*, intrinsic to natural forms of economy into exchange [value], intrinsic to the commodity world. This monetary rent further evolves into capitalist rent. And on all these stages it is a question of changing forms of the economic category of rent, which is value, and not use value. Richard Jones showed that definite form of labour and its conditions of substance corresponds to specific form of rent.

In all previous forms, – Marx expounds him, – it is the landed proprietor, not the capitalist, who directly appropriates the surplus labour of other people. Rent [...] appears historically (and still on the largest scale among the Asiatic peoples) as the general form of surplus labour, of labour performed without payment in return. The appropriation of this surplus labour is here not mediated by exchange, as is the case in capitalist society, but its basis is the forcible domination of one section of society over the other. There is, accordingly, direct slavery, serfdom or political dependence.²⁷⁷

It can be asked whether this *direct* mode of appropriation, and not through exchange, would change the point, that we have before us here surplus value in the form of rent, that we have here value as an *economic category*, also in the natural world. 'In discussing

²⁷⁵The transient nature of the capitalist economy, its inevitable shift to socialism, which Marx came to prove, now is hardly disputed by any of the serious, honest thinking economists. Before the modern Marxists there is a different urgent problem: the cognition of the laws of transition. And it is perfectly clear, that for such creative work, without which creative practice also is unthinkable, theoretical thinking is necessary, preparation of economists-theoreticians, and not only of practical-craftsmen: economy is not the same as accounting, and the planning economist is not the same as a bookkeeper. In view of the fashion of accounting in universities and technical colleges, I will note, that Marx distinguished accounting registration and economic creation: 'The way the books are kept does not of course affect the actual relationships of the things entered in the accounts', – he wrote in volume two of *Capital* (Marx 1978a, p. 255).

²⁷⁶Hilferding 1949, p. 140.

²⁷⁷Marx 1991a, p. 321.

forced labour [that is *corvée*], – Marx points out, – [...] Jones *unconsciously* emphasises the two forms to which all surplus-value (surplus labour) can be reduced'. Jones knows that the rent can increase due to the amplification of the skill and intensity of labour of serfs (relative surplus labor) and due to the increase in the quantity of labour (absolute surplus labour). 'It is characteristic, – Marx stresses, – that, in general, real forced labour *displays in the most brutal form, most clearly the essential features of wage-labour*'.²⁷⁸ About what, in the serf system, is talked here: only about use value or also about value? It is clear, that is also about value. What is here, under *corvée*, labour – the creator only of use value or also of value? It is clear, that it is both.

The reasons given by us here in defence [of the position] that value as a category is inherent also to the pre-capitalist natural world, is at the same time the best rebuttal of theories which in general deny labour as the source of value. Under *corvée* the surplus labour is measured as *abstract* [labour], directly in labour time (for example: three days for the landowner, three to the peasant). With the transformation of *corvée* into natural rent, into rent in kind, surplus labour, is measured as abstract labour, in a quantity of use values, in which the labour of the serf was reified, having created for the landowner not only use value, but rent, value, a *determined magnitude*. (So, with the serf, looking on the land as his own and worked upon with his inventory, was taken *half* and more of the harvest.) And finally, with the transformation of natural rent into monetary rent we see the transformation of the direct producers' determined quantity of products, representing a determined quantity of expended labour, abstract labour, into commodities, and with this into exchange value and money. In all of these cases rent, surplus value, comes from labour and *only* from it. That means of subsistence are taken from the *corvée* serf and [that] the remuneration of the worker is extracted by labour, – this bourgeois economy does not deny.

7. Productive labour and value

Let us return to the deferred question on the 'content' of productive labour in the sense of creating value in the commodity and capitalist world. Let us take, – says Marx, – a buying and selling agent who is a man who sells his labour. He lives off this in the same way as someone else might live from spinning.

²⁷⁸Ibid.

He performs a necessary function, because the reproduction process itself includes unproductive functions. He works as well as the next man, but the content of his labour creates neither value nor products. He is himself part of the faux frais of production. His usefulness does not lie in his transforming an unproductive function into a productive one, or unproductive labour into productive. It would be a miracle [...]. He is useful rather because a smaller part of society's labour-power and labour time is now tied up in these unproductive functions.²⁷⁹

This labour by its content does not create value, although it is also socially necessary. It does not create value, because it is unproductive. Thus he *is considered* a small, direct, independent producer of commodities, – indicates Marx. 'As long as small independent commodity producers spend a part of their own time in buying and selling, this simply presents itself as time spent in the intervals between their productive function, or as a loss in their production time'.²⁸⁰ They therefore always seek, in antiquity as also in the Middle Ages, to defer such operations to feast days.²⁸¹ (Well Messrs scholastics, is also Marx, referring here to the *evaluation* of the labour of producers, a 'subjectivist', a 'psychologist', like in your opinion, your humble servant is?).

We see thus, that neither the social character of labour, nor the social need for it makes it a creator of value in Marx. What does? - 'The *content*', says Marx. But what is such content of labour? To those who are driven to rage by my introduction into the concept of abstract labour along with the attribute of social need also [that of utility *in abstracto*, I remind that the function of labour, about which Marx speaks here (distinguishing productive and unproductive labour and calling the first labour creating value), is a use value of the commodity labour power, the sole use value which creates value. And *this* use value must be of a determined content, it must be for the creation of value [which is] not only socially necessary, but also useful. And useful not negatively, reducing unproductive costs, but useful *positively*. Here also begins the question: what serves the characteristic feature of productive labour in this sense? If one says, that productive labour in commodity world is labour that creates value, while in the capitalist world surplus value, then this does not solve it, but at once raises the question: what should be the content of labour, so that

²⁷⁹Marx 1978a, pp. 209–10.

²⁸⁰Marx 1978a, p. 210.

²⁸¹ Marx 1978a, p. 208. This explanation is a bit sketchy: deferral of trade to holidays can be attributed to the fact, that on such days there was usually a gathering of people from different places near temples and churches and the formation of fairs there. But this question here is secondary for us.

applied by the direct producer, it could produce value, while the exploiting capitalist – surplus value? And it is curious that Marx with the goal of illustrating the difference between productive and non-productive labour in this respect gives an example from *technology*.

This labour [of traders] behaves somewhat like the 'work of combustion' involved in setting light to a material that is used to produce heat. This work does not itself produce any heat, although it is a necessary moment of the combustion process. [...] The separation of the carbon molecules that were combined into a solid whole, and the breaking down of the carbon molecule itself into its individual atoms, must precede the new combination, and this costs a certain expenditure of energy which it not transformed into heat, but rather detracts from the heat.²⁸²

Simply put, in Marx here it is about useful coefficient of combustion. And in determining Whether labour creates value and exchange value, it is necessary to take into account the character of its functions, the character of use value of it; it is necessary to determine whether it is useful social effect, not negative, but *positive*. And it is clear that in the process of reproduction value preserves only productive labour, but not labour in general, – labour whose function is a useful positive effect... That is the meaning of put by me in the content of expended labour creating value, a feature of abstract, social usefulness...

The question remains: how to determine, whether a given labour is socially necessary and positively useful labour? Marx considers not only labour of exchange, but the labour of accounting, that does not create value. About accounting can be disputed.²⁸³ But that is here not the point, rather it is the argumentation, which Marx gives for proof, why the labour of an accountant does not create value. Also here I must turn attention to the fact, that Marx appeals for this – *horrible dictu* to the primitive (*uraltertümlichen*) Indian commune. 'In the person of the book-keeper, a portion of the communal labour-power is withdrawn from production, and the costs (*Kosten*) of its function are replaced, not by his own labour, but by a deduction from the common product. Just as with the book-keeper of the Indian community, so the same applies, *mutatis mutandis*, to the capitalist's

²⁸²Marx 1978a, p. 208.

²⁸³'[I]n every labour process, the labour-power expended unproductively, but unavoidably so under normal technical conditions, counts just as much as the productive', – says Marx (1978, p. 320). Why is the labour of an accountant, like all labour in general, without which the normal technical process of production cannot operate, not productive? We are talking about the *process of production*, and not about exchange nor about personal consumption.

bookkeeper'.²⁸⁴ I repeat, the argument of Marx about productive or unproductive labour of an accountant is disputable, but what is *indisputably correct* is the fact that Marx considers the *substance* of value – remember, it is about creation of value – to be *identical* in the primitive Indian commune and in the capitalist world, although it also has in them different forms of manifestation.

8. Value in socialist economy

Bukharin and the critics close to him in theory, but repudiating him, confuse antagonism and contradiction. Lenin points to this, explaining: 'Antagonism and contradiction are not at all identical. The first [will] disappear, the second will remain in socialism'.²⁸⁵ And this is perfectly said. This is precisely dialectical *materialism*. Also the socialist economy moves in contradictions. So, capitalist production rests on antagonistic beginnings of use. This will disappear, but the contradiction between use value and value, consists, that absolute growth of use value goes along with the relative downgrading of value of products, and this thanks to development of productive forces, thanks to reduce the expended labour on production on production of given products, – this contradiction remains also in socialist economy, based on harmonic beginnings of consumption.

You talk about value in the socialist system, – one will reply to me, – Lenin reject this. Is such an opinion founded? Also the capitalist mode of production is a social formation, satisfactory social need, although also antagonistically. On this we did not cease to indicate in our works.²⁸⁶ Lenin stands on the same position, which is the is position of Marx (see his letter to Kugelmann). On the position of Bukharin that: 'Under the rule of capital, production is production of surplus value, production for the sake of profit. Production under the rule of the proletariat is production for the satisfaction of social needs.'²⁸⁷ Lenin notes: 'Not so. Profit also satisfies "*social need*". It would have been necessary to say: "where the *surplus product* goes not to the class of owners, but to all workers and only to them"'.²⁸⁸ Surplus product, and this is well said: without surplus product, understood as the excess above necessary for satisfaction of current life needs of workers, without such an excess, going in the insurance fund and for expanded productions, there cannot be normal

²⁸⁴Marx 1978a, p. 212.

²⁸⁵Lenin 1929.

²⁸⁶See Finn-Enotaevsky 1903.

²⁸⁷Bukharin 1979, p. 138.

²⁸⁸Lenin 1929.

development of economy also in socialist economy. To this also Marx points, wherewith it is characteristic, that while in volume three of *Capital* he speaks about this excess as about a surplus [*pribavochnom*] product, surplus value, which in a socialist system will go into the social reserve fund and fund of accumulation, he in volume one of *Capital* calls this part of capitalist surplus labour in a socialist economy an *additional* [*dobavochnoj*: contributing] part of *necessary* labour.²⁸⁹ But of course here the point is not about words, terms, but about concepts, what content lies behind them...

'Commodity, – Bukharin wrote, – can be a universal category, only in so far as there is a constant and not a chance social relationship on the anarchic basis of production. Consequently, as the irrationality of the production process disappears, i.e. as a conscious social control mechanism is introduced, in the place of the anarchic element, so commodity is transformed into product and loses its commodity character'.²⁹⁰

Lenin agrees with the first provision of Bukharin, that is with the relationship of the commodity to the anarchic condition of production, which on first sight contradicts Lenin's earlier note that 'commodity production too is an organised economy'. However, in the latter case Lenin, one must think, had in mind, that commodity economy too is a social organisation, although also spontaneous, and that the individual commodity-capitalist enterprise is organised, but the whole social capitalist process of reproduction happens in anarchic fashion (Lenin knew Engels well).

Apropos the second provision of Bukharin Lenin says: 'Inexact: it is transformed not into a "product", but something else. *Etwa* (approximately) into a product, going to social need without passage through the market'.²⁹¹ And this is nicely stated: Lenin does not solve the problem, but poses it correctly. Bukharin here was more than inaccurate: he puts the commodity form of the product in *necessary* connection with anarchic production, which is more than controversial. The commodity form is necessarily linked with the *exchange of products*. Social production can be planned, nevertheless distribution lacks through wholesale and retail exchange of products, and this signifies through the commodity form of the product. The process of social reproduction can be consciously regulated by society, that is not only the process of social production is planned, but also the process of product circulation: the process of social distribution of the product for personal and industrial consumption can take place through the regulation of exchange, accounting and control

²⁸⁹Marx 1976a [Finn gives p. 460 in the Russian edition. I do not know what passage he meant.]

²⁹⁰Bukharin 1979, pp. 154–5.

²⁹¹Lenin 1929.

over the market.²⁹² And in that case the product of rational social production still has the form of commodity.

There is no need after this to prove the error Bukharin's view, which not only under the influence of Hilferding, but also a number of other bourgeois and socialist economists, seeing in the *war capitalism* the highest form of social production, talked about the dying out of the commodity, and hence also exchange value and money in capitalist economy, although it was thousand times organised.²⁹³ After all it is necessary to know, that as long as 'alienation [is] the *predominant* form of appropriation' and 'commodity [is] the elementary and primary unit [of production]',²⁹⁴ - labour, creating exchange value, will remain dominant. What wonder if Lenin on tirade Bukharin, what already 'Under state

²⁹²As there are clever men, who reproached me of blending the state with society, in identification of state socialism with collectivism, then I note that I am aware of the ABC of Marxism, and I know that nationalisation and socialisation is not one and the same. But here is what different vulgarisers of Marxism need to pay attention to: according to Engels, 'all the needs of civil society – *no matter which class happens to be the ruling one* – must pass through the will of the state in order to attain general validity in the form of laws. That is the formal aspect of the matter [...] The question arises, however, as to the content of this merely formal will [...] of the state—and whence this content is derived. [It is] determined by the changing needs of civil society' (Engels 1990, p. 391). According to Marx, 'This can only be effected by converting *social reason* into *social force*, and, under given circumstances, there exists no other method of doing so, than through *general laws*, enforced by the power of the state' (Marx 1964, p. 288). But having put forward this position, they [Marx and Engels] said, that 'where [...] the internal state power of a country becomes antagonistic to its economic development', there '[i]nexorably and without exception the economic development has forced its way through' (Engels 1987a, p. 170). Here it is in my opinion about state regulation at a certain level of economic development of countries.

²⁹³It would be ridiculous, if Marxists would today deny the existence of organisation and planning in capitalist economy, when Engels pointed this out already forty years ago. Since then, especially over the last post-war time, capitalism made major steps towards rationalisation and planning. But recognition of this is not one and the same, as the proclamation that modern capitalism is organised in the sense that its general movement is subject to the control and management of finance or industrial capitalists, or of one and the other taken together. This is not one and the same as the assertion that the main economic categories of the capitalist commodity world: money, price, profit die out, that competition is reduced to naught, in short, that the spontaneous contradictory movement of capitalism is replaced within a given country by conscious regulation. The modern condition of industrial capitalism in the United States and Germany with its unemployed, the price movement, the market position of raw materials and so on, serves as sufficient illustration that regulation and rationalisation are have not weakened one bit the basic contradictions of the motion of capital, connected with the antagonism of production and consumption in it. The contradictory movement of constant and variable capital rather increased with rationalisation. This is nicely illustrated also in *The Times* in the middle of the article from 8 March 1930 on 'American unemployment', not aware, that with this it confirms the theory of relative overpopulation or the industrial reserve army of Marx... The theory of price stabilisation has suffered complete fiasco... Developments fully confirmed the correctness of the position defended by me in an April 1929 lecture (See my brochure Finn-Enotaevisky 1930). Thoughtful bourgeois economists are aware of the state of affairs. For illustration I give an extract from an article of Dr Pinner (1930): 'So beautifully coming down on a paper compensating, this fascinating theory, finishing with crises, there was in practice in all appearances an error in the account. The "eternally [high] conjuncture" in the end suffered the same collapse, like also non-manipulated conjunctures previously. Rationalisation not only made possible raising wages, but together with this created the strongest unemployment, not giving for now compensation and with this it upset the balance of purchasing power. And the money side does not at all allow itself to be regulated from the [Federal] Reserve Board so confidently, that disruptions from this side could be prevented. Stock exchange rise and crash in Wall Street represented flow 'correction' of the conjuncture no less sharp contrast to one and other, than in previous times of free play of forces. And today, when practice forced to draw the conclusions from theory, begins to protrude clear before the sober glance the flip side of the "miracle of rationalisation"'.²⁹⁴

²⁹⁴Marx 1987a, p. 298.

capitalism, the production process is that of the production of surplus value, which falls into the hands of the capitalist class, for the purpose of transforming this value into surplus product',²⁹⁵ put a series of exclamation marks and exclaimed: 'Monstrous!'.²⁹⁶

Nevertheless, in Bukharin and in Hilferding there is a certain excuse: not everything is clear in Marx about exchange. Marx usually formulates it as if exchange – is only a derivative of production. According to Engels production and exchange are *two different functions*, which he denotes as the abscissa and ordinate of the economic curve, they determine and influence each other, but nevertheless '[e]ach of these two social functions is subject to the action of external influences which to a great extent are peculiar to it and for this reason each has, also to a great extent, its own special laws'.²⁹⁷ Engels's formulation is more correct [than Marx's]...

Marx, as we have already pointed out, studying the laws of the developed commodity world, came to the conclusion that the main social attribute of the commodity is its value, that this attribute transforms a product into a commodity, that a commodity is a commodity because it has value... In fact, however, not value turns the product into a commodity, but the exchange of products transforms them into commodities; the value of the product *by itself* does not call forth *exchange*, but under certain conditions makes its transformation into a commodity possible, makes exchange possible. Rather, exchange transforms the value of the product of labour into the exchange value of the commodity. History clearly shows, – and Marx knows this, – that the metamorphosis of the product into commodity began in the sphere of distribution of products between individual tribes, communities, in the sphere of exchange, and from there already was transmitted in production... But let us now leave aside the question whether there was value in the pre-commodity world or not, and focus our attention on value in *socialist* economy.

Whenever Marx touched upon this point, whether in the third volume of *Capital* or in *Theories*, he invariably says that in the socialist system 'the determination of value still prevails in the sense that the regulation of labour-time and the distribution of social labour among various production groups becomes more essential than ever, as well as the keeping of accounts on this'.²⁹⁸ What is this, but it lay also then in power of 'natural' law of value, – natural in the sense of the property of it in all epochs, – law of internal social

²⁹⁵Bukharin 1979, p. 134.

²⁹⁶Lenin 1929. The 'revisionist' conception of 'organised capitalism' I disassembled in my article 'World War and the Fate of Capitalism' (1916), and later in my book *Karl Marx and the Newest Socialism* (1922). In the same book I subjected to criticism also *anarcho-syndicalism*, which raised its head among the workers during the war, which reflected also on Bukharin's view on the state.

²⁹⁷Engels 1987a, p. 135.

²⁹⁸Marx 1981, p. 991.

connection, law regulating the production of products of society consumption, labour times, the law acting in all social formations, but *manifested* merely *differently* in them. 'And the form in which this proportional distribution of labour asserts itself in a state of society in which the interconnection of social labour expresses itself as the private *exchange* of the individual products of labour, is precisely the exchange value of these products'.²⁹⁹ *Exchange, exchange value* – holy truth... But also in socialist society value remains, although not exchange value, since also here remains in force the necessity of distribution of social labour in certain proportions according to the mass of products, necessary for satisfaction of various mass needs...³⁰⁰

Marx in the *Critique of the Gotha Programme* determinedly says that in a 'collective' society there is no exchange of products and there is no value, as 'material quality of things'... 'In contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour', – explains Marx.³⁰¹ Therefore there is no value as 'material quality [*besessene sachliche Eigenschaft*] of the product'. Here labour, the labour time, included in the product, – is 'collective labour time, that is, time of directly associated individuals'. Here there is no need for money, for a special commodity as embodiment of general labour. The product of 'collective' labour Marx opposes to the commodity, materialising its value in a monetary commodity. And this is consistent. We here ignore the question about the materiality of value itself, us interests something else: whether the value of a product of labour remains, [but] value [understood here] not [in the sense of] as 'material quality of labour'? On this here there is no direct answer. The impression is created: money is not needed, commodities are not needed, there is no need for exchange of products, hence there is neither value in general. *But this conclusion cannot be made.*

Once value is the expression of expended labour, then with the disappearance of the commodity and money [also] exchange value disappears, its monetary form as special form of expression of the expenditure of labour in the commodity world, but value in general

²⁹⁹Marx 1988b, p. 68.

³⁰⁰ 'The nation too – supposing it to be something else than the sum of capitalists – can so far compare *value with value*: it can calculate the total labour time which it has to expend to replace the used-up part of its constant capital and the part of the product consumed individually, and the time of labour spent in producing a surplus destined to enlarge the scale of reproduction' (Marx 1991a, p. 265) emphasis by me A. F.-E.

³⁰¹Marx 1989d, p. 85. ['... ebensowenig erscheint hier die auf Produkte verwandte Arbeit als *Wert* dieser Produkte, als eine von ihnen besessene sachliche Eigenschaft ...'. '... just as little does the labour employed on the products appear here *as the value* of these products, as a material quality possessed by them ...']

does not disappear. It takes a new form, represents in each product the labour of directly common collective labour, the labour of directly associated individuals.

In this communist system there is no commodity, no exchange of products, *no exchange value*, but there is a value of products, there is *exchange of values*. Each receives a certificate on expended labour. This certificate is a general claim on a certain quantity of any item, in which as much labour is invested, that is an *exchange of equivalents* reigns, an exchange of the same values, but *not [an exchange of] products*. The given quantity of a type of labour, produced by a given individual, is exchanged by a certificate for the same quantity of other types of labour expended on various products. Exchange here remains exchange of values, exchange of expended labour, but there is no exchange of *products*. These certificates of labour – are not money in the sense, that the products express their value in labour hours, national, socially necessary, and not in weight quantities of the product gold or silver, representing these labour hours; the 'prices' of products are given in labour hours. But here arises the question how to determine the actual quantity of labour time, expended on given products, on each product of a given sort. This is a technically complex task, and it is possible that also certificates of labour, similar to a new money in the commodity world, will be looking for an anchor (*recurrent Anschluss*), to use the expression of Knapp, for their quantitative determination in historically inherited money and prices. Even though one will pay certificates of labour, the measure of this labour will still be in a product – gold, representing earlier [in capitalism] directly general social labour, representing in its individual labour directly all component parts of the general labour, though *not* collective [labour], which there was not, but rather general national and international, general as well as social [labour]. In *such* a socialist environment 'prices' are formal. They are technically expressed in gold, and gold – is *formally* money, because it technically expresses general socialised social labour, which then any labour is [and not just the labour in gold production].³⁰²

³⁰²It is entirely clear that where there is standardisation of products, and money can acquire you only what is due to you, money loses in significant degree its attribute of general exchange value, it – becomes a general claim [or warrant] within a narrow framework. Under full socialisation of personal and industrial consumption it is not at all needed inside [such a system] as a general warrant.

9. Lenin on the transition period and war communism

Lenin wrote his 'Marginal Notes' in spring 1920, when he had before him war communism, surplus requisition, social labour ration, distribution without commodity exchange, dominance of subsistence economy. It is entirely clear that where there is no market, where the product goes directly to social consumption, – there is no exchange of products, there is no 'value as category of the commodity-capitalist world'; where there is no commodity labour power, there is also no wage... Interesting however is not this, but that speaking about the product of labour in a socialist economy, Lenin notes, that the term 'product' for *such a period* is inexact. And this is right: the product also then is not only a social use value, the product acquires then too its historical social form, but such a form, such a historical particularity is always given to the product not by its use value, but what its production cost society. This also means, that the product has value in a socialist economy too; let us call it the distribution value, – the issue lies of course not in the name.

What to say after this to those scholastics, who insist that in a 'socialist economy instead of the law of value another form of regulation of social production operates, a planned form', that 'in this planned form regulation outgrows the law of value'?³⁰³ A meaningless set of words! It is much worse than the statement of Bukharin, that '[with the victory of socialist planning principles] the law of value turns into the law of labour expenditure'.³⁰⁴ The spontaneous process of social reproduction turns into a planned process – that is true, but it operates with consideration of determined laws of material production. These laws did not disappear; the kingdom of necessity, about which Marx so eloquently speaks, remains also in the socialist world. The 'natural' law of social connections, the law of proportional expenditure of labour time remains in complete force, it is manifested only in a new form. Planning occurs through conscious social control over labour time as regulator of production. If regulation occurs on the basis of wrong accounting, incorrect understanding of the laws of economic activity, then these latter, in which the laws of necessity pave their own way spontaneously, blindly, but reasonably, will correct these errors. This is reflected in a painful process. Pathology according to Virchow is 'physiology under abnormal circumstances'. And planning learns by grasped errors...

'The law of value is replaced by a planned form of regulation', say the scholastics to us. This is like saying that Gosplan 'replaced' the need to work in the USSR in order to live. The

³⁰³Borilin 1929, p. 43.

³⁰⁴Bukharin 1926.

Bukharinites say: 'The law of value turns into the law of labour expenditure'. That is equivalent to the assertion that the law of labour time as 'regulator of social production' is in force only in the USSR or will be introduced only in a socialist economy in place of the law of value, but is not in force today in the United States. As if this law does not apply 'in one way or another [in *any*] form of society'.³⁰⁵

In March 1921, at the Tenth Congress of the Party, Lenin said: 'we have made many patent mistakes, [...] we have failed to keep within bounds, and have not known where to stop. [...] We went further than was theoretically and politically necessary [...]. We can allow free local exchange to an appreciable extent'.³⁰⁶ It is impossible to establish a correct relationship between the proletariat and the peasantry, or an altogether stable form of economic alliance between these two classes in the period of transition from capitalism to socialism, without regular commodity exchange or the exchange of products between industry and agriculture', – stressed the resolution of the party conference in May 1921.³⁰⁷ The economy of war communism, which Bukharin built into a general theory of the transition period to socialism, was thus condemned by Lenin and the party.

We [in Russia] went to commodity exchange, which bourgeois economy and some Marxists call natural on the basis that it is carried out *in natura*, and not by means of money. But such terminology gives rise to a confusion of natural production, which assumes production for own consumption, with production for exchange, although at first the surpluses. Kautsky is right in his criticism of Neurath when he says that according to Marx commodity production is not natural [production], even though the exchange would be in kind, without money. He is however incorrect when he considers commodity exchange to be distinct from commodity circulation, that is purchase-sale, only in a technical regard.³⁰⁸ 'The circulation of commodities differs from the direct exchange of products not only in form, but in its essence', – says Marx.³⁰⁹ Lenin wanted to fall back only

³⁰⁵ Marx 1987b, p. 515. It is childish naivety to imagine that in a socialist economy the laws of *nature* and *society* cease to function and that they are replaced by norms, established by the human will, which can prescribe the course of history at will and build whatever shape of life it pleases. To this Marx and Engels answer: 'Freedom does not consist in any *dreamt-of independence from natural laws*, but in the knowledge of these laws, and in the possibility this gives of systematically making them work towards definite ends. This holds good in relation both to the laws of *external nature* and to those which govern the bodily and mental *existence of men themselves* [...]' Once we understand them, their operation, direction and influence, the more we can submit them to our will and thereby achieve our ends. And such freedom of course did not fall from the sky ready made, but is 'a product of [long] historical development' (Engels 1987a, pp. 105–6, emphasis mine – A. F.-E.).

³⁰⁶ Lenin 1921a, pp. 219–20.

³⁰⁷ Lenin 1921a, p. 433.

³⁰⁸ Kautsky 1924, p. 258.

³⁰⁹ Marx 1976a, p. 207.

to the position of product exchange. This failed. In late October of the same year 1921, he said:

It implied a more or less socialist exchange throughout the country of the products of industry for the products of agriculture, and by means of that commodity exchange the restoration of large-scale industry as the sole basis of socialist organisation. But what happened? [...T]his system of commodity exchange has broken down; it has broken down in the sense that it has assumed the form of buying and selling. [...] Nothing came of commodity exchange; the private market proved too strong for us; and instead of the exchange of commodities we got ordinary buying and selling, trade.

And Lenin called for 'adaptation' to commodity circulation, to money circulation, otherwise this wave will 'overwhelm'.³¹⁰

What was the mistake, not only practically, but also theoretically in *that moment*? – For the exchange throughout the country of products of industry for products of agriculture, that were in the hands of millions of private producers-peasants, solely 'free *local* commodity exchange' was not enough. It naturally had to pour out *nationally*; and exchange of products at such a national scale through direct exchange of product for product is *impossible*. For the exchange between city and countryside on a national scale, – exchange, which included the exchange of different regions between themselves, there was no universal measure of value. And the exchange of products *in natura* (product for product) requires such a measure.

Jevons once pointed out that the establishment of the value ratios between a hundred commodities would demand a price-current list of 4950 possible ratios of exchange, wherewith the question remains open of the correct constitution of these ratios.³¹¹ One measured among us [in Russia] the value not in labour hours, – one measured in individual products, and in each region for this was put forward their commodity, usually the dominant product of production for this place: in the south for example wheat in grain. But a *general* commodity for all regions, a general measure there was not. Bear in mind that direct exchange of products is possible also on a wide scale when there is a general measure: the trade between Siberia and China for a long time was barter, but silver served

³¹⁰Lenin 1921b, pp. 95–6.

³¹¹[See Jevons 1875, p. 5.]

as general measure. And our experience has revealed that the primary function of money is its service as general measure. It was also found that the commodity by itself does not possess the direct ability of general exchangeability, is not a direct general equivalent, about which Proudhon dreamed. Only precious metals, gold and silver, possess this property: they are the general commodity, money. The absence of these metals in turnover, the necessity for a general measure, moreover the necessity of a general means of exchange also prompted the turn to paper money, which did not entirely disappear from circulation. Herewith is characteristic that private trade and the state sector used the value relations between commodity prices established in the pre-war, war and contemporary black market, making corrections in them: for the depreciation of paper, for the occurred change in the relationship between raw materials and fabricates and so on, – the method is theoretically correct; we leave aside how correct it was practically carried out. And once there is a general measure and a general means of exchange, we have before us money in its primordial fundamental functions.

The failure of commodity exchange occurred not because 'the private market proved too strong', but because also 'socialist exchange' between industry and agriculture could not be fulfilled through 'free local exchange'. The inevitability under our existing conditions of the transformation of commodity into money was not taken into account. There, where the division of labour has reached a certain stage of development, and it had reached it with us on a national scale, there is inevitable the split of exchange value from use value, which begins already in exchange of products, also the further transformation of it into the monetary form. One fell in the error of Proudhon, wanting socialism with commodities, but without money. A large part of the national economy can dwell in a state of natural production, and nevertheless commodity exchange, developing, inevitably must turn into purchase-sale. But buying and selling, wherewith money plays merely the role of intermediary, of a purchasing means, still is not terrible: the transition to it from commodity exchange does not yet signify a change of position. This second position, – commodity circulation, – is directly associated with the first; this is the necessary result of the expansion of the limits of the first. True, a relatively weak development of commodity circulation is sufficient for all the main functions of money to come into sight, – Marx indicates. But this too is not alien to socialism. Value commodity relations – are not yet capitalist [relations]. 'Commodity production, whose purpose is the existence of the producers', is something very different from capitalist production and 'a replacement of commodity by commodity conditioned by surplus-value production is something quite

other than an exchange of products that is simply mediated by money'.³¹² Commodity circulation and monetary circulation are not necessarily connected with capitalist circulation. The economy of the transition period is impossible without exchange value, is impossible without commodity and money.³¹³ And developed socialist economy, where there is no exchange of products, no commodities, is unthinkable without the existence of value, is inconceivable without a general measure of value, which due to technical difficulties in directly measuring labour time will very possibly be served by some product, and value relations will be expressed in quantities of this product. This means that even then we will have money in the sense of a general measure and general claim, but which will not circulate; also then the products will have prices in the sense that they will express their own direct general social labour time directly in this product not just ideally, *in spe*, but really; and the realisation of this value will occur not through exchange of products, but through exchange of one kind of general (collective) social labour for another kind of such labour; wherewith one is expressed in the given product, and the other – in a general claim [or warrant], in the data of this exceptional product, let us say – gold...

But the shortcomings of war communism consisted not only in the fact that commodity trade was destroyed and surplus-appropriation and consumer ration was introduced, but also in the fact that, breaking the old 'personal connections', not adequately dismantled in productive relations, not duly distinguished the out-of-date property relations from the new, relations of production which correspond to the accumulated material productive forces. And this also by Lenin recognised mistake of Bukharin's work was built into the principle of the economy of the transition period. Neither Cunow, nor Bukharin, – we wrote in our book *Karl Marx and the Newest Socialism*, – each from his viewpoint, see that in the social revolution the issue is about the destruction of the old, having become obstacles, social production relations and the liberation of new ones. The 'technical apparatus', the material productive forces, can and must be preserved; with them are associated new, though in contradictory forms, social production relations, which are

³¹²Marx 1978a, p. 155.

³¹³Only ignorance can assume that recognition of value in socialist economy or in the pre-commodity world is the same as recognition of the eternity of capital. It belongs to the alphabet of Marxism, that capital is always value, but value is not always capital. Even money and possession of money, that is accumulation of value in the general form, does not make a person a capitalist: for this there must be present a determined historical background. Capital – is not only accumulated value, accumulated labour, but value confronted to determined social conditions of the labour force and subordinating it to itself; it – is the value accumulated in things, serving in the hands of the owner of the means of production as a tool of domination over the labouring poor. But accumulation of value can serve not only as a means of *creation* through the exploitation of wage labour, of *surplus value* (industrial capital), but also as a means of *appropriation*, of *pumping* the already created value and surplus value from one hand to another. Such as in the history of capital in merchant and interest-bearing forms.

subject not to destruction, but liberation from the parasitic form, modification and further development.³¹⁴

'Communists [...] sustained a very severe defeat on the economic front', – Lloyd George in the spring of 1922 cited Lenin's speech in October 1921.³¹⁵ 'If capitalism gains by it, industrial production will grow, and the proletariat will grow too', – Lenin admitted.³¹⁶ 'With the disappearance of capitalists, the disappearance of workmen. That is the new doctrine which M. Lenin puts before the world', – Lloyd George exclaimed, saying: 'a very remarkable condemnation [...] of the doctrines of Karl Marx...'³¹⁷ Lloyd George was confused. That the modern proletariat arose and develops together with capitalism, this is the alphabet of Marxism. True also is that capital and capitalists are one and the same in the capitalist world. But capital is not just a social relation, but a relation of dominance and submission through the medium of things, through the medium of accumulated labour, accumulated value. This relation can be destroyed without damage to social production, to accumulated value. Insofar as Lenin speaks of capital in the sense of accumulated labour, in the sense of means production, – there is of course in him no condemnation of the socialism of Marx, no recognition of the necessity of capitalists, as Lloyd George imagines this. Lenin here recognised only that without accumulation, concentration of the means of production there cannot be socialised labour, and that together with the destruction of factories and plants the proletariat disappeared, was shattered. The gap in human connections, necessary in the process of production, is the death of production, it is the violation of the production process. In the time of revolution there is a destruction of the material forces, tear human connections, but process must not at all take such anarchist destructively, as this erected to a principle Bukharin. Lenin recognised this: 'We went further than was necessary...'

Several years have passed, and it revealed, that solely the restoration of the destroyed means production and the disturbed production process is not yet sufficient for the construction of socialism, necessary is a certain development of the material productive forces and human labour forces, that is having received power in its hands, but not having received a corresponding inheritance from the with us still weak capitalism, the proletariat faced the task to finish that which the bourgeoisie in its historical mission did not...

³¹⁴Finn-Enotaevsky 1922, p. 101.

³¹⁵Lenin 1921b, p. 63.

³¹⁶Lenin 1921b, p. 65.

³¹⁷[p. 255 in *Journal of the Parliaments of the Empire* Volume 3 (1922), London: Commonwealth Parliamentary Association.]

Which conclusion can we make of this, our historical excursion? – That also in the economy of the transition period there are common moments with the capitalist world, there are common abstract definitions, without whose knowledge we inevitably fall into theoretical, and with them also practical errors.

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